01

INMET
MINING

INMET ANNUAL REPORT

INMET
MINING

[1] Following the expected acquisitions in the first quarter of 2002, Inmet will own 100 per cent of Pyhäsalmi and 55 per cent of Çayeli.

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INMET

MINING

highlights

OPERATING AND FINANCIAL HIGHLIGHTS

OPERATING HIGHLIGHTS

	2001	2000	1999
Production[1]			
Copper (tonnes)	60,700	59,700	58,800
Zinc (tonnes)	12,400	12,700	16,000
Gold (ounces)	244,400	218,600	246,800
Cash costs			
Copper (U.S.$ per pound)[2]	$0.50	$0.46	$0.49
Gold (U.S.$ per ounce)	$232	$263	$231
Total costs			
Copper (U.S.$ per pound)[2]	$0.63	$0.61	$0.64
Gold (U.S.$ per ounce)	$252	$279	$241

[1] Inmet's share.
[2] Çayeli zinc production and Ok Tedi gold production included as by-product credits.

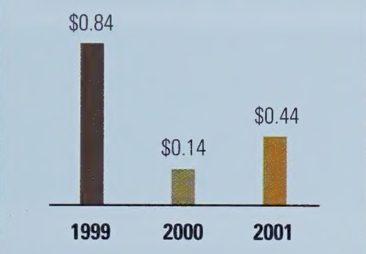
FINANCIAL HIGHLIGHTS

(in thousands, except per share amounts)	2001	2000	1999
Financial results			
Sales	$106,759	$103,940	$107,829
Net income	$18,882	$8,437	$37,044
Net income per share[3]	$0.44	$0.14	$0.84
Cash flow provided by operating activities	$7,121	$14,509	$3,061
Operating cash flow per share[3]	$0.20	$0.38	$0.08
Financial Position (December 31)			
Cash and short-term investments	$63,871	$77,259	$93,458
Net working capital	$95,469	$91,719	$109,544
Total assets	$309,685	$314,426	$323,465
Long-term debt	$16,981	$21,700	$26,768
Reclamation and other long-term liabilities	$45,061	$61,997	$64,569
Shareholders' equity	$212,355	$195,183	$191,105
Common shares outstanding	35,276	36,402	38,337

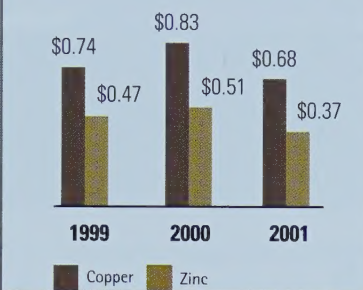
[3] Calculated using weighted average shares outstanding for the year.

Strong earnings maintained despite metal price decline. Significant earnings potential to metal price recovery.

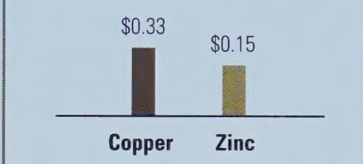
Net income per share



Average realized metal prices
(US$ per pound)



2002 net income per share sensitivity to US$0.10 change in metal prices[1]

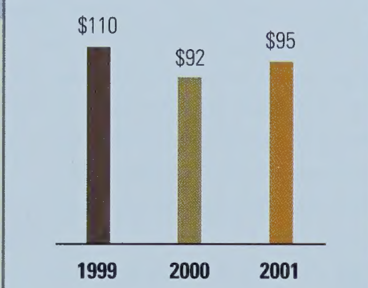


[1]Includes expected acquisition of Pyhäsalmi

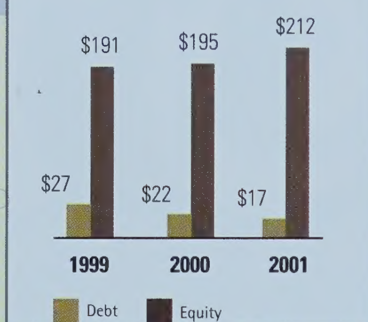
Well positioned for growth with good operating cash flow, a strong working capital position and low debt in relation to equity.

Operating cash flow per share

Working capital
(millions of dollars)

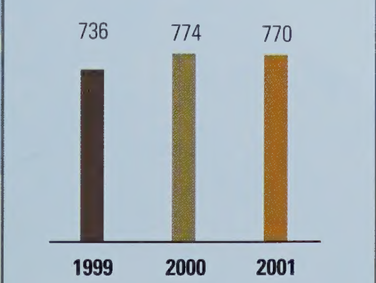


Debt and equity
(millions of dollars)

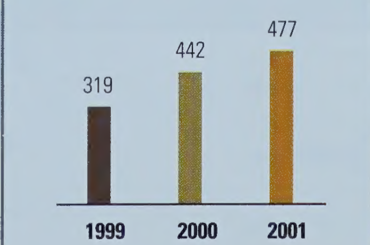


Copper and zinc reserve growth more than replaced annual production over the last three years.

Contained copper in reserves
(thousands of tonnes)



Contained zinc in reserves
(thousands of tonnes)



For a detailed breakdown of the mineral reserves see page 52.

strategy + objectives

CORPORATE STRATEGY AND OBJECTIVES

Our strategy is "to grow as a base metal mining company providing superior returns to shareholders."

In 2001, in order to advance this strategy we established the following objectives. The achievements in relation to these objectives are also set out below.

1 Inmet's share price to outperform the TSE Metals and Minerals index.

- Inmet's share price increased 48% relative to the TSE Metals and Minerals index.

2 Increase reserves through an acquisition, merger or exploration.

- Agreement reached to acquire 100% of the Pyhäsalmi mine in Finland.
- Agreement reached to purchase an additional 6% of Çayeli.
- Increased proven and probable reserves at Çayeli by over 20%.
- Izok feasibility advanced.

3 Finalize new Ok Tedi arrangements.

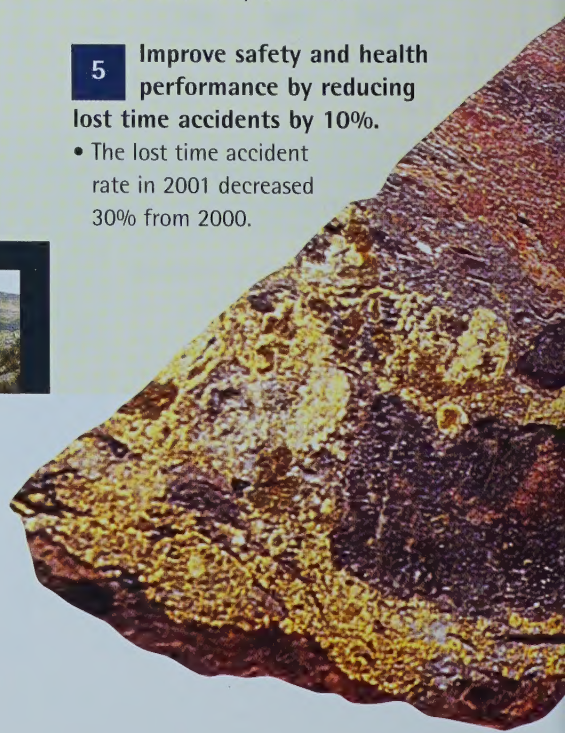
- Concluded on February 7, 2002.

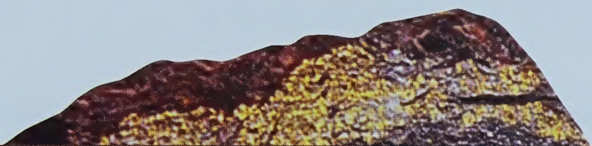
4 Continuously improve Inmet's existing asset base, and meet 2001 budgeted production and financial targets.

- Çayeli increased mill throughput to 1 million tonnes per annum as planned and met budgeted cash unit costs of U.S.$0.47 per pound.
- Troilus exceeded its production targets, by processing 5.5 million tonnes of ore and producing 162,600 ounces of gold and 7,800 tonnes of copper. Cash costs were U.S.$232 per ounce as a result of lower net by-product credits due to lower copper prices.
- Future estimated reclamation costs were reduced by $15 million.

5 Improve safety and health performance by reducing lost time accidents by 10%.

- The lost time accident rate in 2001 decreased 30% from 2000.





In 2002, in order to further advance our strategy, the following objectives have been established:

1. **Inmet's share price to outperform the TSE Metals and Minerals index.**

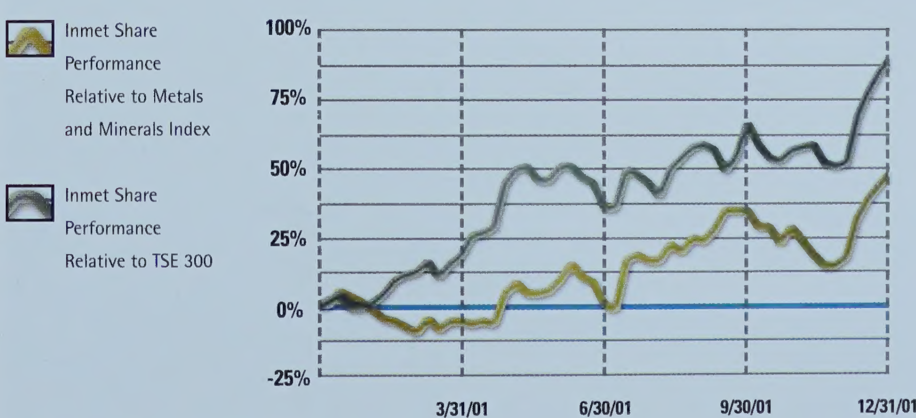
2. **Achieve smooth ownership transition at both Pyhäsalmi and Ok Tedi.**

3. **Meet 2002 budgeted production and financial targets.**
   - At Çayeli, process 1 million tonnes of ore and produce 38,000 tonnes of copper and 43,000 tonnes of zinc at a cash cost of U.S.$0.42 per pound.
   - At Troilus, process 5.5 million tonnes of ore and produce 163,000 ounces of gold at a cash cost of U.S.$255 per ounce.

4. **Increase reserves through acquisition, merger or exploration.**

5. **Improve safety and health performance by reducing lost time accidents by 10%.**

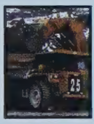
2001 SHARE PERFORMANCE



shareholders

MESSAGE TO SHAREHOLDERS

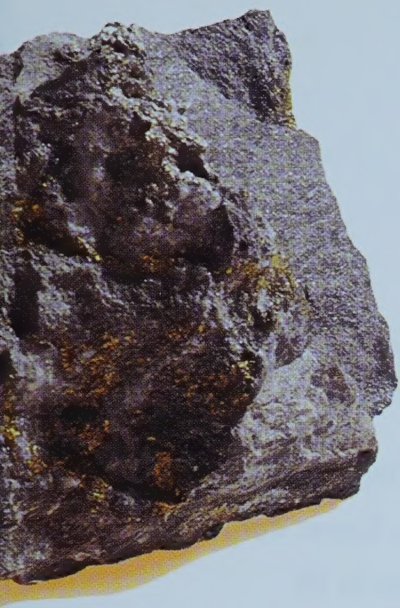
In 2000, we presented you with our strategy "to grow as a base metal mining company providing superior returns to shareholders". In 2001, we confirmed that our strategy was still appropriate and achievable and included specific growth and operational improvement objectives. We are now pleased to report that this strategy has created real value for our shareholders in 2001 as witnessed by the substantial appreciation of Inmet's share price. In 2002, we will maintain this strategy.



Richard Ross, President and Chief Executive Officer

Growth and Continuous Improvement Achievements

In December, we reached an agreement to acquire 100 per cent of the **Pyhäsalmi** copper and zinc mine in Finland and to establish an alliance with Outokumpu. The transaction is expected to close in March, 2002. The purchase price is a combination of €45 million in cash, a €14 million 10-year six per cent promissory note and the issuance of four million Inmet shares at $4.50 per share. A U.S.$40 million bank facility is under negotiation to finance the cash portion of the acquisition. Pyhäsalmi is expected to produce approximately 14,000 tonnes of copper and 30,000 tonnes of zinc on average each year over its 14-year mine life. Cash costs are expected to be in the bottom quartile of worldwide copper production. Total costs, including the amortization of the acquisition price and capital, should average less than U.S.$0.50 per pound over the mine life. This transaction will



With the planned acquisition of Pyhäsalmi and Inmet's 55% interest in Çayeli, Inmet will operate two of the lowest cost underground base metal mines in the world.

include the acquisition of over 3,000 hectares of exploration property in proximity to the Pyhäsalmi mine. The alliance with Outokumpu provides for the sale of Pyhäsalmi's copper and zinc concentrates to Outokumpu over its mine life, as well as cooperation on concentrate off-take and financing for other Inmet mines and cooperation on technology services. With the acquisition of Pyhäsalmi, Inmet will operate two of the lowest cost underground base metal mines in the world.

In December, we also reached an agreement to acquire an additional six per cent interest in the **Çayeli** copper and zinc mine in Turkey, which will increase our total interest to 55 per cent. As a result of this transaction, we will consolidate Çayeli's results in our financial statements in 2002 once the acquisition is completed. Çayeli continued to meet our production and reserve growth expectations in 2001, despite a labour stoppage of 11 weeks in the first quarter of 2001. Following resumption of work, the targeted production throughput rate of over one million tonnes per annum, a seven per cent increase over 2000 levels, was achieved. Proven and probable reserves also increased by 79,000 tonnes of contained copper and 108,000 tonnes of contained zinc. In spite of the strike and the significant decline in metal prices in 2001, Çayeli continued to operate profitably with operating earnings of $6.6 million (Inmet's share) and dividend distributions to Inmet of $7.3 million.

During the fall of 2001, the government of Papua New Guinea ("PNG"), BHP Billiton Limited and Inmet reached an agreement with respect to new arrangements for the **Ok Tedi** copper and gold mine. This transaction became effective on February 7, 2002, resulting in the transfer by BHP Billiton of its 52 per cent interest in Ok Tedi to PNG Sustainable Development Program Company ("SDPCo"). The SDPCo is independent of the government of PNG and BHP Billiton and its mandate is to fund development in PNG, particularly after the Ok Tedi ore reserves have been exhausted. These arrangements contemplate the continued operation of the Ok Tedi mine for its remaining mine life of nine years and for a new environmental regime. The arrangements received overwhelming support from the landowners affected by the Ok Tedi operation as witnessed by the signing of agreements consenting to the continued operation of the mine by substantially all of the villages on the Ok Tedi and Fly Rivers. As a result, much of the past uncertainty regarding the future of Ok Tedi is behind us. The focus in future will be to maximize cash flows so that all stakeholders can benefit from Ok Tedi's continued operation.

During 2001, Ok Tedi experienced a number of production related issues including a drop in metal recoveries and mechanical difficulties with one of its grinding mills. These matters are in the forefront for resolution in 2002. Even with these difficulties and the low metal price environment, Ok Tedi paid $8 million in dividends to Inmet in 2001.

At the **Troilus** gold mine in Quebec, the production targets set at the beginning of the year were exceeded as Troilus produced 163,000 ounces of gold in 2001 compared to 123,000 in 2000. This was achieved through an increase in mill throughput, averaging 15,000 tonnes per day. In addition, gold grades increased, as expected, by 22 per cent.

Ian Pirie, Director, Corporate Development

Frank Balint, Vice-President, Corporate Development

Inmet's earnings in 2001 were positively affected by higher gold production from Troilus, lower corporate spending and a $15 million reduction in its reclamation provision.

This resulted in a substantial drop in cash costs per ounce of gold to U.S.$232 from U.S.$263 in the prior year. These operational improvements, together with the favourable effects of gold hedges in place, more than offset the impact of continuing low metal prices. Troilus generated operating earnings of $9.7 million in 2001.

On January 15, 2002, Inmet was awarded damages of $88.2 million under a judgment from the British Columbia Supreme Court that affirmed Inmet's position that Homestake Canada, Inc. wrongfully repudiated its agreement to purchase Troilus in 1997. In addition to the damages awarded, this ruling allows Inmet to maintain its 100 per cent ownership in Troilus and to continue to benefit from its cash flow over the balance of its mine life. Barrick Gold Corporation, which acquired Homestake in December 2001, has appealed the decision.

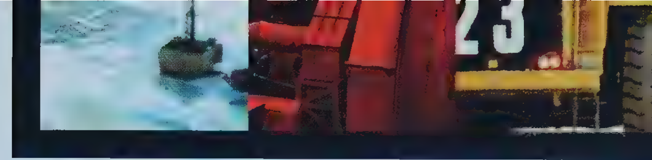
Craig Ford, Director, Safety, Environmental and Community Affairs

Jochen Tilk, Vice-President, Operations

In 2001, we made significant progress at our **reclamation** sites particularly at Copper Range where substantially all reclamation projects are complete. As a result, we were able to reduce our future estimated reclamation costs by $15 million. This benefit has been included in 2001 net earnings. Future spending requirements on the remaining reclamation projects are expected to be approximately $4 million per year over the next few years.

During 2001, a feasibility study on an all-weather road that would link our **Izok** property to a port on the Bathurst Inlet in Nunavut was initiated and was funded jointly by the Federal Government, the Government of Nunavut, Inmet and other industry participants. Initial results suggest that such a road is feasible. The feasibility study will be completed during the first quarter of 2002 and regulatory review and permitting activities have commenced. If this infrastructure project proceeds, the benefits to the Izok project are potentially very significant, as Izok would not have to bear all the costs of the infrastructure necessary to support its future operation. We are reviewing the feasibility study for Izok, which was completed in 1994, in light of these positive developments. The development of Izok, although still a number of years in the future, has the potential to increase considerably our current metal production levels at industry competitive costs.

A key objective for all our operations is to continually improve employee **health and safety**. We believe that a safe and healthy working environment is the foundation to high productivity. We have one of the lowest lost time accident rates in the industry at 0.9 accidents per 200,000 man-hours worked, which is down from 1.3 in 2000. We have set as an objective a 10 per cent reduction in this rate each year with an ultimate goal of zero lost time accidents.



Financial and Operating Results

For the year ended December 31, 2001, we reported net earnings of $19 million compared to $8 million in 2000. Earnings in the year were higher due to the $15 million reduction in provision for reclamation costs. Earnings before this item were modestly lower than in 2000 due to the significant drop in metal prices. Copper and zinc prices per pound decreased on average in 2001 to U.S.$0.68 and U.S.$0.37 compared to U.S.$0.83 and U.S.$0.51 in 2000. Gold prices realized were lower as well, at an average price of U.S.$296 per ounce realized in 2001 compared to U.S.$307 in 2000. Higher gold production from Troilus and lower spending on corporate development and general and administration costs offset the impact of lower metal prices.

Our share of copper production increased modestly in 2001 to 60,700 tonnes compared to 59,700 in 2000. Inmet's cash flow is extremely sensitive to changes in the copper price. Based on 2001 production levels, for every U.S.$0.10 change in the copper price, our cash flow changed by $0.31 per share. With our copper production levels expected to increase in 2002 due to the Pyhäsalmi transaction and a full year of production from Çayeli, our cash flow will be even more sensitive to changes in the copper price. The copper price reached a historic low of U.S.$0.60 per pound in 2001 due to the worldwide economic recession. We believe that copper prices will recover somewhat in 2002 from 2001 levels and a more substantial recovery in prices should be seen in 2003.

Our share of zinc production was marginally lower at 12,400 tonnes in 2001 compared to 12,700 tonnes in 2000 due to the strike at Çayeli, which was our only source of zinc production in 2001. In 2002, with the expected acquisition of Pyhäsalmi and a full year of production from Çayeli, our zinc production should more than double, resulting in much higher sensitivity to cash flow from changes in zinc prices. Zinc also reached historic low levels in 2001 of U.S.$0.33 per pound. Prospects for zinc are somewhat more positive for 2002. However, more rationalization of world zinc production from higher cost

Steve Astritis, Vice-President, General Counsel

Wendy Kaufman, Controller

Oliver Merton, Vice-President, Commercial

Jo-Anne Sayers, Vice-President, Finance and Chief Financial Officer

mines is likely needed before a meaningful recovery in zinc prices can occur.

Our share of gold production increased substantially in 2001 to 244,000 ounces compared to 219,000 in 2000 due to the production improvement at Troilus. This level of production should be maintained in 2002. The gold market remained flat in 2001 and there is much debate over whether gold has lost its historic speculative nature. As long as the United States dollar remains strong in relation to the local currencies where gold is produced and consumed, it is difficult to foresee a sustainable increase in United States dollar denominated gold prices.

Future Direction

We have successfully developed a niche in the base metal industry. We are highly levered to changes in the price of copper, which we see as a very viable and long-term business on which to focus. Given the poly-metallic nature of the mines in which we have interests, we also have exposure to other metals such as zinc and gold. Our copper production costs are below the average of worldwide copper production. This ensures that even at the low point in the metal price cycle, our mines should remain viable. Our balance sheet is strong relative to our peers, both in terms of cash on hand and the modest levels of debt that we maintain. We control a large percentage of our operating cash flow stream, allowing the maximization of the value of those operations and the return of cash flow to our corporate treasury to fund our growth objectives.

We will continue our strategy, developed two years ago:

To grow as a base metal mining company providing superior returns to shareholders.

To achieve growth we are focusing our efforts on copper and zinc, where we feel we have a competitive advantage. We will consider opportunities at all stages of development from advanced exploration properties to operating mines as well as potential value adding corporate mergers. Geographically we are targeting the Americas, Australia and Europe.

One source of growth is our exploration effort which focused on volcanogenic massive sulphide deposits that lend themselves to poly-metallic copper and zinc deposits often with significant precious metal credits. We believe that a discovery of this type will result in a deposit with high margin ores and low unit cost per pound of metal. Our strategy involves staying close to infrastructure so as to increase the likelihood that a discovery leads to an economically viable mining operation. In 2002, there will be a shift to focus more exploration spending around our existing operations. Outside of our existing operations, we are currently exploring in Canada, Sweden, Australia and Peru.

Future growth may also come from within our existing asset base. At Çayeli we are already planning a further increase in production, and a deepening of the shaft to capitalize on the reserves at depth. The ore body is open in many directions, which provides the opportunity for continuing growth in Çayeli's reserve base. Further progress will be made at Izok this year and we are hopeful that the infrastructure required to support Izok will be developed, paving the way for the development of this ore body.

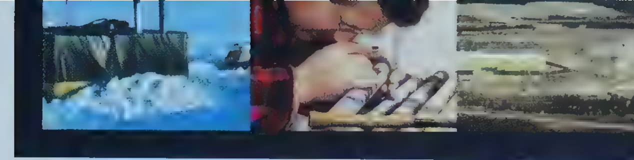
Finally, we will continue to evaluate opportunities to acquire operating mines and/or the ability to add value through a merger.

Employees

We recognize that our success has been achieved through the hard work, ingenuity and dedication of our employees. We thank them for their continuing efforts to realize on the vision for our Company. We know that they are equally committed to furthering this vision in the coming year.

Richard A. Ross
President and Chief Executive Officer

William James
Chairman of the Board



safety + health + environment

SAFETY, HEALTH AND ENVIRONMENT

Safety, Health and Environment Policy

We are committed to adhering to standards of responsible environmental, health and safety practice throughout the business life cycle. Specifically, in connection with safety, health and environment, we will:

- Design, implement, continually evaluate and improve management systems and other tools
- Regularly measure performance against recognized industry standards
- Continuously improve performance
- Make available to our employees the necessary resources to identify, manage and reduce environmental and workplace risks

We expect our employees and contractors to assume responsibility for safety, health and environment by:

- Working safely under all circumstances
- Participating in training sessions
- Understanding their compliance obligations
- Communicating any unacceptable practices to management

The overall lost time accident rate declined by over 30% in 2001.

In 2001, we improved performance in the areas of safety, health and environment. Emphasis continued on the development and implementation of practical management systems for both worker safety and health, and environmental protection. We believe that a safe working environment results in higher productivity.

Safety and Health

Our employees and contractors suffered six lost time accidents ("LTAs") in 2001, compared to ten in 2000. Although our overall LTA rate, including employees and contractors, in 2000 was excellent at 1.3 accidents per 200,000 man-hours, focus was placed on improving performance in 2001 particularly in regard to contractors. As a result, the overall LTA rate declined by over 30 per cent to 0.9 accidents per 200,000 man-hours. The contractor rate declined by over 50 per cent.

The LTA rates for Troilus and Inmet's closed properties declined in 2001, while the Çayeli rate increased to 1.3. Mine management and employees are continually striving to improve their safety records, since it is our policy that safe work practices come before all other considerations.

To better track leading indicators of more serious workplace accidents, we placed considerable emphasis in 2001 on improving incident reporting. Incidents, or near-miss accidents, are defined as workplace events that could have resulted in more serious consequences to an employee if circumstances were slightly different. Reporting, investigating and tracking workplace incidents can detect defective workplace practices and behaviours to prevent more serious accidents. As a result of the increased emphasis, the incident reporting system has substantially improved.

A safety and health audit was performed at Çayeli during 2001, continuing a commitment to the implementation of best mining industry practice. The audit identified issues that management and employees alike will continue to work to resolve to ensure high standards of safety practice are maintained. Çayeli's safety record continues to be a model for the industry in Turkey.

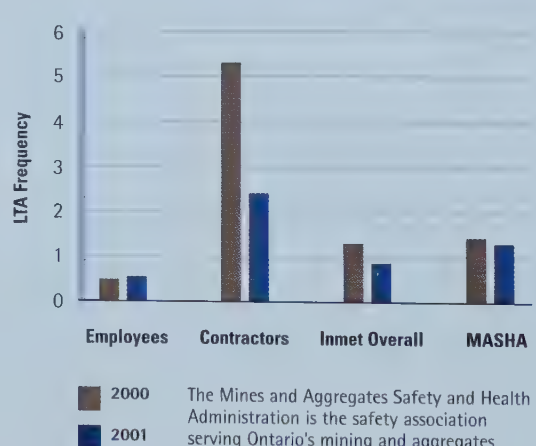
Environmental Affairs, Reclamation, and Closed Properties

Çayeli made substantial progress towards addressing all issues identified during the 2001 environmental compliance audit. Progress was also made towards obtaining governmental approval for the new tailings line. Hydrodynamic modeling supports reducing the discharge depth, while continuing to ensure there is minimal environmental impact associated with the tailings disposal.

Reclamation activities at our closed properties progressed according to plan, and allowed us to reduce our reclamation provision by $15 million, reflecting the advanced state of activities at these sites. The majority of the reduction is directly attributable to the former Copper Range Company site in Michigan, where reclamation activities are largely complete. In 2001, the Remedial Action Plan, describing the final remedies for the Copper Range site (many of which have already been implemented) was submitted to the State of Michigan for review. Approval is expected by mid-2002.

As a Member of the Mining Association of Canada Inmet is committed to "Towards Sustainable Mining" ("TSM"), which will help ensure environmental and social improvement in the context of a profitable mining industry. Inmet's continuing implementation of safety, health and environmental management systems will ensure its objectives with respect to TSM are achieved.

Implementation of management system components progressed in 2001 with completion of three Environmental Management and Procedures Manuals ("EMPMs") and two Engineered Risk Assessments ("ERAs"). The EMPMs are references for environmental and operations staff that describe the environmental context and procedures for a particular operation. ERAs evaluate the environmental risk associated with all engineered systems at an operation and allow us to design concrete actions to minimize and manage risk. ERAs also provide operations management with a planning and budgeting tool, and represent another example of our risk-based approach to environmental management.



The Mines and Aggregates Safety and Health Administration is the safety association serving Ontario's mining and aggregates workplaces. Inmet uses MASHA statistics as its performance benchmark.

financial review 01

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY OF FINANCIAL RESULTS

The following is a discussion and analysis of the consolidated financial condition and results of operations of Inmet. The discussion and analysis should be read in conjunction with the financial information included in the consolidated financial statements.

The discussion and analysis should also be read in conjunction with the Outlook section found on page 30. This section highlights events subsequent to December 31, 2001, that should have a significant impact on Inmet's consolidated financial condition and results of operations in 2002.

Net income in 2001 of $18.9 million ($0.44 per share) includes a $15 million reduction in Inmet's provision for reclamation costs as a result of the substantial reduction in future estimated spending at its closed mine properties. Net income in 2000 was $8.4 million ($0.14 per share).

Earnings before the reduction in the provision for reclamation costs were $3.9 million in 2001, compared to $8.4 million in 2000, which is lower mainly due to the substantial decline in metal prices. Increased sales volumes at Troilus and reduced spending on corporate development and exploration and general and administration costs relative to spending in 2000, partially offset the metal price decline.

The table below presents a summary of Inmet's consolidated statements of operations by source.

(millions of dollars, except per share amounts)	2001	2000
Operations' earnings[1]		
Çayeli[2]	$6.6	$19.3
Troilus	9.7	6.2
Ok Tedi	-	(0.3)
	16.3	25.2
Corporate development and exploration	(4.9)	(9.6)
General and administration	(4.5)	(6.9)
Net interest and other income	1.7	5.6
Capital tax expense	(0.2)	(0.9)
Income tax expense	(4.5)	(5.0)
Reduction in provision for reclamation costs	15.0	-
Net income	$18.9	$8.4
Basic and diluted net income per common share	$0.44	$0.14

[1] Sales less cost of sales and amortization, except Ok Tedi, which represents Inmet's 18 per cent equity accounted interest to March 31, 2000. From April 1, 2000 Inmet accounts for its interest in Ok Tedi by the cost method.

[2] Inmet's 49 per cent proportionate interest.

The following table identifies the changes in net income between 2001 and 2000 and highlights Inmet's sensitivity to changes in metal prices:

(millions of dollars)	Change
U.S.$0.15 per pound decrease in copper price	$(11)
U.S.$0.14 per pound decrease in zinc price	(3)
U.S.$11 per ounce decrease in gold price	(2)
C$0.06 increase in C$/U.S.$ exchange rate	3
Increased sales volume at Troilus	19
Decreased sales volume at Çayeli	(3)
Increased cost of sales	(11)
Reduced corporate spending	7
Reduced other income	(4)
Reduction in provision for reclamation costs	15
Increase in net income	$10

The above table excludes the impact of economic factors on the results of Ok Tedi as Inmet's investment in Ok Tedi is cost accounted. In 2001, the $8 million dividend received from Ok Tedi was not reflected in earnings, but rather as a reduction in Inmet's carrying value of Ok Tedi as Ok Tedi did not report a profit in 2001. Only dividends paid out of Ok Tedi's earnings accumulated subsequent to April 1, 2000 will be included in Inmet's earnings.

Increased cost of sales is largely a result of the increased sales volumes at Troilus. Reduced other income is mainly a result of higher litigation costs incurred in 2001 in connection with Homestake Canada, Inc.'s ("Homestake") failure to complete the purchase of Troilus in 1997. Also, in 2001 a $4.4 million gain from the receipt of an outstanding receivable was recorded and in 2000, $5.7 million in gains from asset sales were recorded.

Sales

Inmet's consolidated sales by operation, metal and volume were as follows:

(millions of dollars)	2001	2000
Net sales by operation		
Çayeli[1]	$28.4	$ 41.7
Troilus	78.4	62.2
	$106.8	$103.9
Net sales by metal		
Copper	$30.4	$36.1
Zinc	5.3	11.1
Gold	69.3	54.8
Other	1.8	1.9
	$106.8	$103.9

[1]Inmet's 49 per cent proportionate interest.

	2001	2000
Sales by metal volume		
Copper (tonnes)	23,400	20,800
Zinc (tonnes)	11,000	15,300
Gold (ounces)	158,300	124,000

Net sales increased $2.9 million in 2001 compared to 2000 as a result of higher volumes sold at Troilus, partly offset by lower metal prices. Metal prices in 2001 were significantly lower than metal prices in 2000, as illustrated in the following chart:

	2001	2000
Realized metal prices		
Copper (U.S.$ per pound)	U.S.$0.68	U.S.$0.83
Zinc (U.S.$ per pound)	U.S.$0.37	U.S.$0.51
Gold (U.S.$ per ounce)	U.S.$296	U.S.$307

Although the 2001 realized gold price at Troilus was below the 2000 price, the weakening of the Canadian dollar relative to the United States dollar in 2001 resulted in equivalent Canadian dollar gold prices between years. The realized gold price at Troilus also includes the effect of hedging, which contributed $5 million to earnings in both 2001 and 2000.

The overall impact of the decline in metals prices resulted in a $16 million decrease in revenues compared to 2000. Higher sales volume at Troilus contributed an additional $19 million in revenue, which more than offset reduced metal prices.

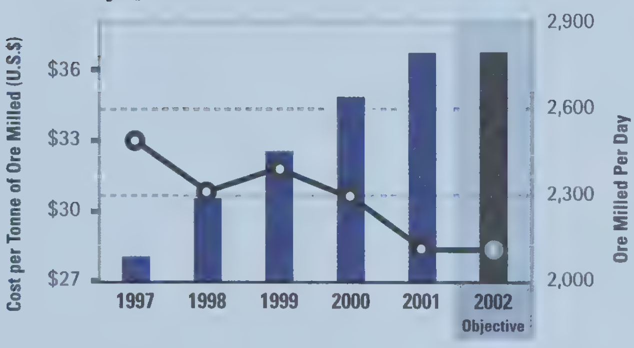
Effective in 2001, Inmet changed its accounting policy with respect to revenue recognition in accordance with evolving practice. Revenue is now recognized when title passes to the customer. The financial impact of this accounting change has been retroactively applied to prior year financial periods. Prior to this change revenue was recognized at the time of production. The effect of the change resulted in a decrease in 2000 net sales of $1.4 million.

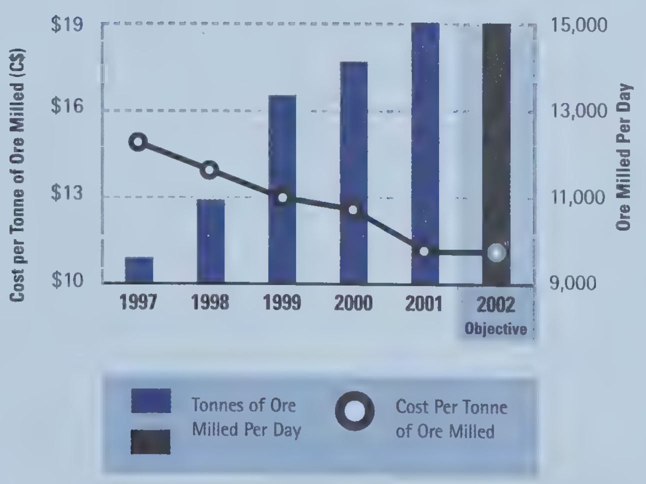
2002 Outlook *– Sales at Çayeli in 2001 were negatively affected by a strike during the first quarter. For 2002 at Çayeli, copper sales volumes are expected to increase approximately 20 per cent, to more typical levels and zinc sales volumes are expected to nearly double from 2001 levels. At Troilus, gold sales volumes are expected to remain consistent with 2001 volumes.* *Refer to the Outlook section on page 30 for further information.*

Results of operations

In 2001, Inmet's operations delivered on their objectives to improve performance through productivity enhancements and cost management. For five consecutive years, Çayeli and Troilus have increased daily ore throughput and improved productivity. These advancements have allowed the operations to generate positive earnings in 2001 despite the decline in metal prices.

The charts below show the trends at both Çayeli and Troilus with respect to increased throughput and decreased costs by year.





Çayeli

Daily mill throughput increased by seven per cent in 2001, compared to 2000, demonstrating the improvements in Çayeli's operational efficiency. In spite of the increase in daily mill throughput, production was lower in 2001 compared to 2000 due to a labour strike. The strike, which commenced on December 7, 2000, was settled on March 15, 2001.

Cash costs of U.S.$0.47 per pound of copper were higher than the 2000 cash costs of U.S.$0.43 per pound as a result of decreased by-product credits from lower zinc prices in 2001. Standby costs, in relation to the work stoppage, of $1.3 million in 2001 and $0.7 million in 2000 have been excluded from unit cash costs.

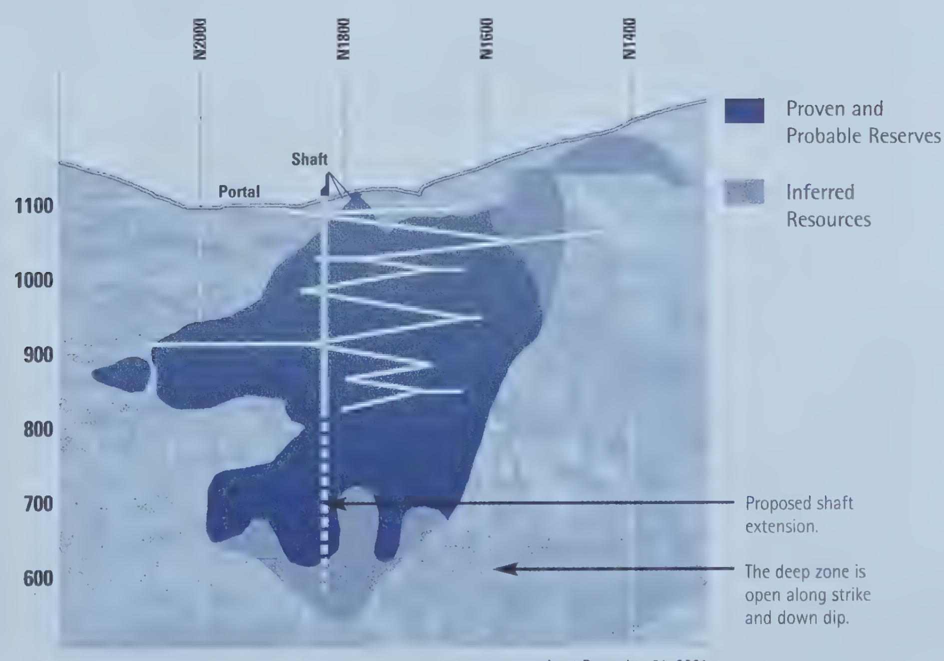
Inmet's share of Çayeli's capital expenditures for 2001 was $3.6 million. The majority of these expenditures were on mine development, equipment replacement and the commencement of construction of a new tailings pipeline. After completion of the engineering of the new tailings pipeline late in 2001, installation activities commenced with the assembly of 300 metre long pipeline sections at a nearby port. The installation and commissioning of the entire 3,000 metre long line is scheduled to be completed in the summer of 2002 at a capital cost of approximately U.S.$5.0 million. Once completed, the new line will provide an operationally reliable system for Çayeli's tailings discharge and provide for spare capacity for future production increases.

During 2001, Çayeli also evaluated the extension of its shaft to access ore that is situated below the current shaft bottom. As additional reserves were defined in 2000 and 2001, Çayeli has concluded that the shaft extension will be necessary to provide for economic recovery of the deeper ores. Over 40 per cent of Çayeli's proven and probable reserves are located below the bottom of the existing shaft. Detailed design and engineering for the shaft project is scheduled to commence in the second quarter of 2002. It is expected that the shaft extension will nearly double the depth of the existing shaft, which is currently 280 metres in depth. Because Çayeli anticipated the potential of a shaft extension during the initial sinking, a second service hoist was installed to allow deepening of the shaft while mine production continues.

Çayeli Operating Information (100 per cent)		2001	2000	Objective 2002
Tonnes of ore milled (thousands)		816	861	1,000
Tonnes of ore milled per day		2,815	2,640	2,800
Days lost production		75	39	-
Grades (per cent)	Copper	4.6	4.9	4.6
	Zinc	4.5	4.5	6.0
Mill recoveries (per cent)	Copper	88	89	85
	Zinc	69	68	70
Metal production (tonnes)	Copper	33,000	37,400	38,000
	Zinc	25,300	26,000	43,000
Cash cost per pound of copper		U.S.$0.47	U.S.$0.43	U.S.$0.42
Total cost per pound of copper		U.S.$0.51	U.S.$0.48	U.S.$0.45
Capital expenditures (thousands)		U.S.$4,700	U.S.$4,900	U.S.$12,000

Longitudinal section of the Çayeli ore body

As a result of the diamond drilling program, Çayeli added 3 million tonnes of proven and probable reserves and over 1 million tonnes of inferred resources in 2001 (for a detailed breakdown of the mineral reserves and resources by category, see page 52).



As at December 31, 2001

Çayeli Financial Information (49 per cent share) (millions of Canadian dollars unless otherwise stated)	2001	2000
Sales analysis		
Copper sales (tonnes)	15,600	16,100
Copper price (U.S.$ per pound)	$0.68	$0.83
C$/U.S.$ exchange rate	$1.55	$1.49
Gross copper sales	$36.1	$44.0
Copper processing charges and freight	(13.8)	(14.3)
Net copper sales	22.3	29.7
Net zinc sales	5.3	11.1
Other metal sales	0.8	0.9
Net sales	$28.4	$41.7
Cost analysis		
Mill throughput (tonnes)	400,100	421,800
Direct cash costs (U.S.$ per tonne)	$28.18	$30.48
Direct costs of production	$17.5	$18.2
Costs incurred during strike	1.3	0.7
Change in inventory	(1.1)	(0.7)
Amortization and other non-cash costs	4.1	4.2
Operating costs	$21.8	$22.4
Operating earnings	$6.6	$19.3
Cash flow from operations	$0.3	$20.5

Çayeli's earnings in 2001 were significantly lower than 2000 as a result of weak metal prices and the impact of the labour strike. Cash flow from operations decreased substantially from 2000, which is directly related to the decreased sales, largely due to the strike, and a $3.3 million build-up of working capital. Despite the drop in cash flow, Çayeli paid its first dividend to shareholders, of which Inmet received $7.3 million.

***2002 Outlook** – Çayeli plans to continue to process ore at throughput levels of one million tonnes for 2002. No major cost increases are expected and with significantly higher planned zinc production, copper unit costs will likely decrease from 2001. One risk in relation to costs is associated with Çayeli's port lease. An agreement for revised terms of a new contract has been under negotiation since mid-1999.*

ÇAYELI PLANS TO INCREASE MILL THROUGHPUT CAPACITY BY 25%

The process flow diagram to the right is a simple schematic illustrating the milling process at Çayeli.

Ore is delivered to the crushing plant by truck and stored in eight 4,000 tonne capacity ore bins. These bins act as a buffer between the mine and the mill and allow blending of ore types. From there, ore is dumped into the feed hopper where, after screening, it goes to the jaw crusher and cone crusher, if required, before passing on to a 2,500 tonne capacity fine ore bin.

Çayeli has recently committed to the investment of a tertiary crusher and new concentrate filter at an approximate capital cost of U.S.$2.2 million. The increase in crushing and filtration capacity is expected to increase overall mill throughput capacity by about 25 per cent to 1.25 million tonnes per year. Installations are expected to be completed by the end of 2002.

The copper circuit consists of a three-stage cleaning and regrind facility. Copper rougher scavenger tailings feed goes to the zinc circuit. Çayeli has committed to install additional cleaner capacity in order to improve the zinc concentrate grades at an approximate cost of U.S.$0.5 million.

Concentrates are pressure filtered to an eight per cent moisture content.

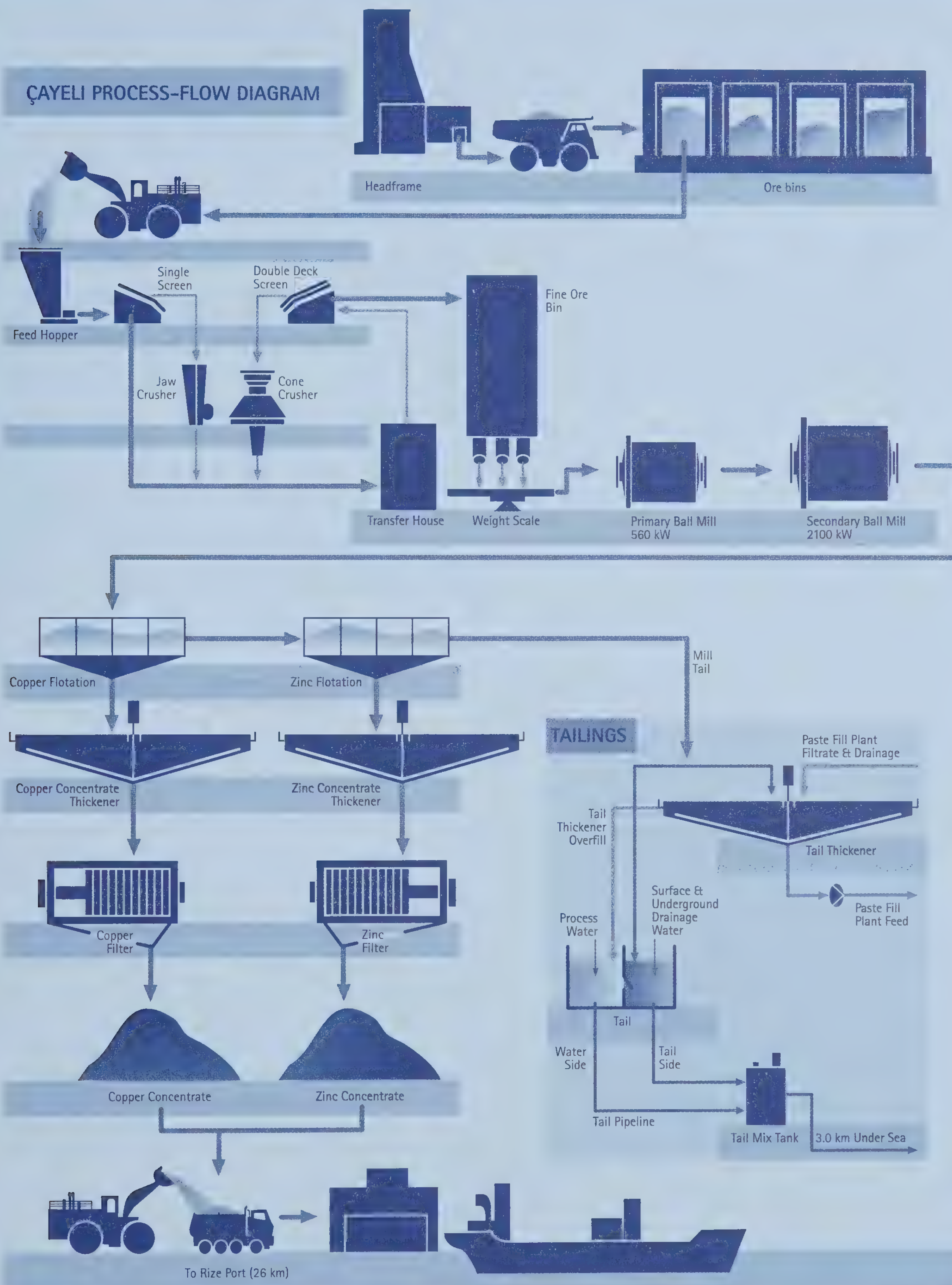
Tailings are transported eight kilometres through a pipeline for discharge into the anoxic environment of the Black Sea. Alternatively, tailings can be thickened and enriched with cement in the paste plant and used for backfill material in the mine.

Copper and zinc concentrates are trucked to the port in the city of Rize for storage and loading onto bulk carrier ships. Ships of up to 25,000 tonne capacity can be accommodated. Çayeli storage facilities at the port consist of six 10,000 tonne storage sheds for concentrate.

A single conveyor system runs from a dump hopper fed by front-end loaders to a single pivot arm ship-loader with extendable shuttle conveyor. The system is capable of ship loading at about 450 tonnes per hour.

Concentrate is shipped to various smelter locations in Europe and Asia.

ÇAYELI PROCESS-FLOW DIAGRAM



Troilus

Troilus Operating Information (100 per cent)			2001	2000	Objective 2002
Tonnes of ore milled (thousands)			5,490	5,135	5,500
Tonnes of ore milled per day			15,000	14,100	15,000
Strip ratio			1.9	3.1	2.3
Grades	Gold	(grams/tonne)	1.1	0.9	1.1
	Copper	(per cent)	0.2	0.1	0.1
Mill recoveries	Gold	(per cent)	84	83	84
	Copper	(per cent)	92	90	91
Metal production	Gold	(ounces)	162,600	122,500	163,000
	Copper	(tonnes)	7,800	4,800	6,000
Cash cost per ounce of gold			U.S.$232	U.S.$263	U.S$255
Total cost per ounce of gold			U.S.$252	U.S.$279	U.S.$276
Capital expenditures (thousands)[1]			$4,300	$15,000	$3,400

[1]Includes capitalized stripping.

As a result of increased mill throughput and higher gold grades, Troilus' operating results improved substantially in 2001. Gold production increased more than 30 per cent compared to the previous year. With average mill throughput of 15,000 tonnes per day, Troilus set a record by achieving the highest annual mill throughput since the start-up of mine production. This increased throughput can be largely attributed to operational improvements implemented in 2000 and 2001, such as a computerized mill expert system and a change in the SAG mill liner configuration. The efficiencies realized and the higher production achieved in 2001 resulted in cash costs dropping to U.S.$232 per ounce in 2001 from U.S.$263 per ounce in 2000.

In 2001, much of Troilus' mining activity was focused in the bottom of the pit, where gold grades are generally higher, and the north push-back, which delineates the final perimeter of the Troilus pit. As expected, the waste to ore strip ratio in 2001 improved significantly to 1.9 compared to a strip ratio of 3.1 in 2000. Much of this improvement in grade and strip ratio was due to increased tonnage originating from the higher grade ore at the bottom of the pit. For 2002, the strip ratio is expected to increase as a larger percentage of mining will come from the north pushback of the pit wall.

In 2001, by adding one truck to its haulage fleet, Troilus increased its mining capacity. This increased capacity allowed Troilus to selectively process higher grade ore and stockpile lower grade ore. The lower grade ore will be processed at the end of mine life.

Direct costs of production increased from 2000, a result of increased spending in the mine and a revised average life-of-mine strip ratio. In addition, hauling distance increased substantially in 2001 resulting in higher fuel costs and truck maintenance costs than in the previous year.

In 2001 and 2000, the portion of Troilus mining costs in excess of the average life-of-mine strip ratio was capitalized. In 2001 this amounted to $0.9 million and in 2000 was $12.0 million. These costs will be amortized in future periods when the strip ratio is below the life-of-mine average. The life-of-mine strip ratio was adjusted towards the end of 2001 from an average of 1.7 to a new life-of-mine average of 2.0.

Excluding capitalized stripping, Troilus' capital expenditures were $3.4 million in 2001, which included equipment replacement and an additional lift of its tailings dam. Capital expenditures in 2000 were $3.0 million.

Troilus Financial Information (100 per cent) (millions of Canadian dollars unless otherwise stated)	2001	2000
Sales analysis		
Gold sales (ounces)	158,300	124,000
Gold price (U.S.$ per ounce)	$296	$307
C$/U.S.$ exchange rate	$1.55	$1.49
Gross gold sales	$72.1	$56.7
Gold processing charges	(2.8)	(1.9)
Net gold sales	69.3	54.8
Net copper sales	8.1	6.5
Other metal sales	1.0	0.9
Net sales	$78.4	$62.2
Cost analysis		
Mill throughput (tonnes)	5,490	5,135
Direct cash costs before stripping adjustment (C$ per tonne)	$11.74	$12.74
Amortized (capitalized) stripping (C$ per tonne)	0.02	(2.33)
Direct cash costs (C$ per tonne)	$11.76	$10.41
Direct costs of production	$64.5	$53.4
Change in inventory	(1.3)	(0.2)
Amortization and other non-cash costs	5.5	2.8
Operating costs	$68.7	$56.0
Operating earnings	$9.7	$6.2
Cash flow from operations	$7.9	$15.3

The gold price of U.S.$296 per ounce realized by Troilus in 2001 includes a hedge price of U.S.$327 per ounce for about 45 per cent of its sales. This compares to a gold price of U.S.$307 per ounce in 2000 with 50 per cent of sales hedged at U.S.$332 per ounce. Troilus' operating earnings increased by 56 per cent in 2001 compared to 2000, which is a function of a 28 per cent increase in sales volumes, offset somewhat by higher costs and amortization. Cash flows from operations in 2001 dropped by $7 million, compared to 2000, as a result of a $9.5 million build-up of working capital. The cash benefit of the increase in sales will be realized in 2002 as Troilus' receivables take, on average, over four months to settle.

2002 Outlook – *In 2002, Troilus is expected to continue to process ore at a mill throughput rate of approximately 15,000 tonnes per day and maintain its positive performance. Inmet's gold hedging program will ensure a gold price of U.S.$326 per ounce in 2002 for approximately 45 per cent of Troilus' anticipated gold sales.*

Ok Tedi

Ok Tedi Operating Information (100 per cent)			2001	2000	Objective 2002
Tonnes of ore milled (thousands)			30,500	29,300	28,600
Tonnes of ore milled per day			84,000	80,000	78,000
Strip ratio			1.9	2.0	2.0
Grades	Copper	(per cent)	0.9	0.9	0.9
	Gold	(grams/tonne)	0.8	0.9	0.9
Mill recoveries	Copper	(per cent)	74	76	82
	Gold	(per cent)	59	62	69
Metal production	Copper	(tonnes)	203,800	203,100	208,000
	Gold	(ounces)	454,700	534,000	554,000
Cash cost per pound of copper			U.S.$0.51	U.S.$0.48	U.S.$0.48
Total cost per pound of copper			U.S.$0.68	U.S.$0.67	U.S.$0.61
Capital expenditures (thousands)			U.S.$23,500	U.S.$17,700	U.S.$20,000

In 2001, Ok Tedi's copper production was the same as the previous year and gold production dropped by 15 per cent from 2000 as a result of lower gold grades and lower gold recoveries partially offset by higher mill throughput. Ok Tedi experienced a drop in metal recoveries for both copper and gold in 2001. In order to improve recoveries, a number of initiatives such as upgrades in the flotation circuit are expected to be implemented during the first half of 2002. The drop in recoveries has been somewhat offset by a record mill throughput of 84,000 tonnes per day as the mill was processing larger quantities of the softer monzonite ore during the year. In the fall of 2001, Ok Tedi experienced metal fatigue in one of its two SAG mills. Ok Tedi has since decided to replace the mill shell at an anticipated capital cost of U.S.$3 million. The new mill is scheduled to be operational by the fall of 2002.

As a result of improved operating conditions of Ok Tedi's concentrate pipeline and better concentrate management, stockpiles of concentrate were reduced to 100,000 tonnes by the end of 2001 compared to 170,000 tonnes at the end of 2000. Further reduction of the concentrate stockpiles is anticipated in 2002.

Ok Tedi incurred U.S.$23.5 million in capital expenditures in 2001, largely to replace its fleet of mobile equipment.

Ok Tedi Financial Information (100 per cent) (millions of Canadian dollars unless otherwise stated)	2001	2000
Sales analysis		
Copper sales (tonnes)	212,000	184,500
Copper price (U.S.$ per pound)	$0.67	$0.80
C$/U.S.$ exchange rate	$1.55	$1.49
Gross copper sales	$483.8	$482.5
Gross gold and silver sales	203.9	214.1
Processing charges and freight	(160.1)	(150.3)
Net sales	$527.6	$546.3
Cost analysis		
Mill throughput (thousands of tonnes)	30,500	29,300
Direct cash costs (U.S.$ per tonne)	$8.35	$9.01
Direct costs of production	$394.7	$392.1
Capital expenditures	36.4	26.3
Tax payments	48.3	39.0
Working capital increase (decrease)	(50.0)	40.1
Other	38.5	37.4
Operating costs	$467.9	$534.9
Available cash flow before dividend payments	$59.7	$11.4
Inmet's 18% share of dividends	$8.0	$-

Effective April 1, 2000, Inmet changed from the equity to the cost method of accounting for its 18 per cent investment in Ok Tedi. Under the cost method, earnings will be recognized only when dividends are received from Ok Tedi's earnings which have accumulated from April 1, 2000. However, when the dividend exceeds Inmet's share of post April 1, 2000 earnings from Ok Tedi, the dividend is recorded as a reduction in the carrying value of Inmet's investment in Ok Tedi. The $8 million dividend received in the year has been recorded as a reduction in the carrying value of Inmet's investment in Ok Tedi as a result of financial accounting losses recorded at Ok Tedi during the year.

Dividends from Ok Tedi are governed by its constitution, which stipulates that dividends are determined based on available cash flow of the prior financial year. Ok Tedi's financial year runs from July 1 to June 30. The financial information table on page 22 analyzes Ok Tedi cash flow movements based on a calendar year.

Ok Tedi's available cash flow before dividends in 2001 of $59.7 million is a considerable increase from cash flow of $11.4 million in 2000. The increased cash flow is largely due to the decreased working capital from significant shipments of concentrate, which were built up in 2000.

***2002 Outlook** – With the implementation of Ok Tedi's new shareholding structure and the completion of the replacement of its mobile fleet, Ok Tedi is well positioned to continue operating in accordance with appropriate technical and environmental standards. Until the SAG rebuild is complete, mill throughput could be negatively impacted. Ok Tedi will also experience a reduction in production during the eight week repair.*

Corporate development and exploration

(millions of dollars)	2001	2000
Exploration	$3.9	$7.7
Mergers and acquisitions	1.0	1.9
	$4.9	$9.6

As identified last year, exploration spending in 2001 has been greatly reduced from 2000 levels. In 2001, Inmet's exploration effort geographically targeted Canada, Sweden, Australia and Peru. In December 2001, Inmet announced that it signed an agreement with Outokumpu Oyj to acquire 100 per cent of the Pyhäsalmi copper and zinc mine in Finland. This transaction is expected to close in March 2002. Costs incurred in 2001 of $2.3 million in relation to this acquisition have been capitalized in other assets.

***2002 Outlook** – In 2002, corporate development and exploration spending is budgeted at $3.5 million, which reflects the current depressed metal market conditions. Inmet plans to focus its exploration efforts on its current portfolio of properties.*

General and administration

General and administration expenditures decreased $2.4 million in 2001 from 2000. Excluding the 2000 restructuring charge of $1.5 million, general and administration in 2001 decreased 17 per cent. The $1.5 million restructuring charge in 2000 includes costs associated with the closure of a number of Inmet's field exploration offices and a reduction of staff.

***2002 Outlook** – General and administration costs are expected to approximate $4 million. Refer to Impact of Recently Issued Accounting Standards on page 25 for further information.*

Investment and other income

(millions of dollars)	2001	2000
Interest income	$2.5	$4.0
Gains on sale of assets	4.4	5.7
Litigation costs	(3.1)	(0.9)
Other	1.0	1.5
	$4.8	$10.3

Interest income has declined from 2000 mainly as a result of lower interest rates. In 2001 and in January 2002, Inmet received $7.9 million from Compañia Minera Antamina S.A. ("Antamina") in regard to a receivable associated with Inmet's sale of Antamina in 1998. As a provision had been previously set up against a portion of this receivable, $4.4 million of the amounts received were recorded in investment and other income. In 2000, Inmet received payments of $5.7 million relating to the 1995 sale of Inmet's interest in Montanwerke

Brixlegg, an Austrian secondary copper smelter. Litigation costs incurred relate to the case against Homestake in connection with the failure of Homestake to complete the purchase of Troilus in 1997. The trial commenced in February and ended in June 2001. A judgment was received on January 15, 2002 awarding Inmet damages in the amount of $88.2 million. Inmet has sufficient capital losses to offset any taxes that might otherwise be payable on receipt of the judgment. In February 2002, Homestake gave notice that it will appeal the judgment.

2002 Outlook *– Investment and other income during 2002 will depend principally on Inmet's cash and short-term investments balance and on short-term interest rates. In addition, the final outcome of the litigation could have a significant impact on future earnings as none of the damage awards have been included in earnings.*

Interest expense

(millions of dollars)	2001	2000
Convertible debentures	$1.5	$1.6
Çayeli	0.7	1.2
Other	0.9	1.0
	$3.1	$3.8

Interest expense continued to decline in 2001 due to scheduled debt repayments on Çayeli project financing and reduced interest rates. Included in other are imputed interest costs associated with accrued long-term water treatment at Inmet's closed sites.

2002 Outlook *– Interest expense at Çayeli will decline further due to scheduled debt repayments on its project financing. Refer to the Outlook section on page 30 for further information on 2002 transactions, which are expected to have a significant impact on Inmet's financial position.*

Income tax expense

(millions of dollars)	2001	2000
Çayeli taxes	$5.3	$6.2
Corporate tax recovery	(0.8)	(0.4)
Recovery on expiry of warrants	–	(0.8)
	$4.5	$5.0

At the corporate level, Inmet has significant tax benefits from non-capital tax losses and mining resource pools available to offset taxable income over the foreseeable future. In 2001, $0.8 million of these tax losses was recorded as an asset in anticipation of future taxable income.

In 2001, Inmet's share of Çayeli's tax expense was $5.3 million, only marginally lower than Çayeli's tax expense in 2000 in spite of the fact that Çayeli's earnings declined in 2001. The Turkish tax rate is 52 per cent and includes corporate tax, state and mining tax and withholding tax. Çayeli's effective tax rate in 2001 was 89 per cent, which is higher than the statutory rate of 52 per cent as a result of significant taxable foreign exchange gains. Included in the determination of Çayeli's taxes payable in 2001 are foreign exchange gains of approximately $4 million. This was a result of a significant devaluation of the Turkish lira at a time when Çayeli was holding a large balance of United States dollar denominated net monetary assets. In 2000, the effective tax rate was 34 per cent as it includes the positive impact of loss carry-forwards.

2002 Outlook *– With respect to taxable Canadian income, Inmet has a future tax asset of $7.9 million. A portion of this asset may be charged to earnings in 2002 subject to the profitability of Troilus.*

Çayeli's effective tax rate in 2002 is expected to remain at approximately 50 per cent, but could be impacted by foreign exchange movements. Foreign exchange gains are contingent on the degree of the devaluation of the Turkish lira and the balance of United States dollar denominated net monetary assets.

Impact of recently issued accounting standards

In December 2001, the Canadian Institute of Chartered Accountants issued Recommendations relating to the recognition, measurement, and disclosure of stock-based compensation and other stock-based payments made in exchange for services provided by employees.

The Recommendation sets out a fair value based method of accounting that is required for all employee awards that are direct awards of stock, that call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation cost will not be recorded on the grant of stock options to employees, but rather over the term that the stock options vest.

Inmet will adopt the new Recommendations for its year beginning January 1, 2002. If the standard had been adopted January 1, 2001, there would have been a $0.6 million charge to earnings in 2001. As the financial impact will vary depending on Inmet's share price, it is not possible to assess the potential impact to Inmet in 2002.

LIQUIDITY AND FINANCIAL CONDITION

Liquidity

In 2001, Inmet's cash and short-term investments balance decreased $13 million mainly due to lower metal prices. The planned reduction in spending on capital expenditures, corporate development and exploration and reclamation in 2001 helped offset the effects of lower metal prices, higher taxes paid at Çayeli and a build-up in receivables at Çayeli and Troilus.

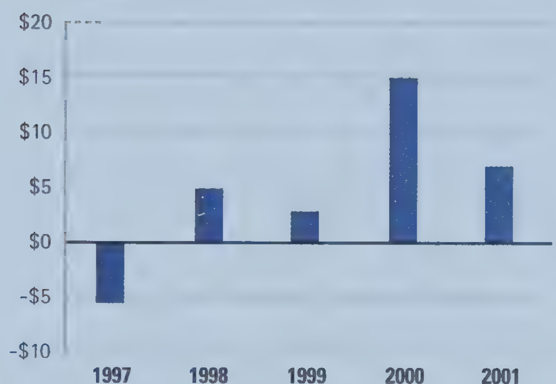
Consolidated sources and uses of cash during 2001 and 2000 were as follows:

(millions of dollars)	2001	2000
Cash and short-term investments, beginning of year	$77	$93
Cash provided by (used in) operating activities		
Çayeli	–	21
Troilus	8	15
Ok Tedi	8	–
	16	36
Corporate development and exploration	(5)	(9)
General and administration	(5)	(6)
Investment income and other	4	6
	10	27
Reclamation costs, net of asset sales	(3)	(12)
	7	15
Cash used in investing activities		
Investment in Pyhäsalmi	(2)	–
Capital assets – Çayeli	(4)	(4)
Capital assets – Troilus	(4)	(15)
Long-term stockpile – Troilus	(3)	–
	(13)	(19)
Cash used in financing activities		
Repayment of debt	(5)	(8)
Share buyback	(2)	(4)
	(7)	(12)
Cash and short-term investments, end of year	$64	$77

Cash flows from operating activities

Inmet's cash flow from operations was $7 million in 2001 compared to $15 million in 2000.

Operating cash flows
Millions of C$

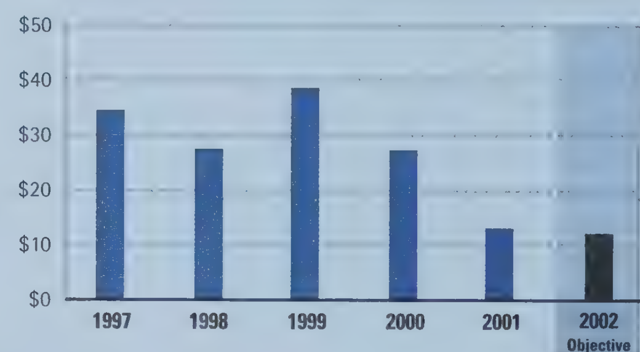


The following table highlights the significant changes in operating cash flow between 2001 and 2000:

(millions of dollars)	Change
Decrease in metal prices	$(16)
Increased sales volume at Troilus	19
Build-up in working capital at Troilus	(15)
Increased cost of sales	(11)
Increased taxes paid at Çayeli	(2)
Increased receivables at Çayeli	(4)
Reduced corporate spending	14
Increase in dividends from Ok Tedi	8
Other	(1)
Decrease in cash flow from operations	$(8)

In addition, in 2001 $5.6 million was received from Antamina with respect to a payment of an outstanding receivable. In 2000, $5.7 million was received in early settlement of deferred payments on the 1995 sale of Montanwerke Brixlegg. Corporate spending decreased $14 million in 2001 as a result of a 73 per cent reduction in reclamation spending, and a reduction in corporate development and exploration expenses. The following chart illustrates the significant reductions in corporate spending over the last five years and the expected 2002 reduction:

Corporate spending[1]
Millions of C$



(1) Corporate spending includes general and administration, corporate development and exploration expenditures and reclamation costs.

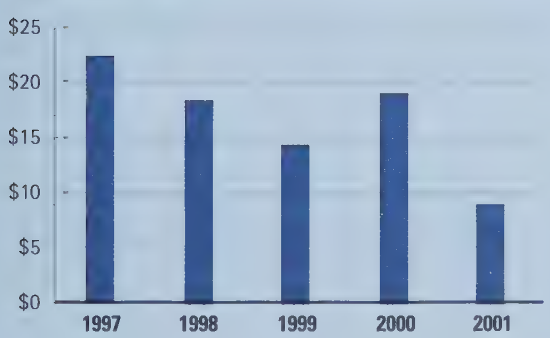
Operating cash flows for 2002 are highly dependent on metal prices and achieving sales targets. It is expected, however, that there will be positive cash flows from the reduction of accounts receivable at both Çayeli and Troilus. Spending on reclamation projects over the next few years is expected to be approximately $4 million per year and long-term water treatment costs are expected to be approximately $1 million per year.

Cash flows from investing activities

Capital expenditures decreased by $10 million in 2001 compared to 2000 due to reduced capitalized stripping costs at Troilus. Stripping costs incurred above the life-of-mine average strip ratio in 2001 were $1 million, compared to $12 million in 2000. Capital expenditures at Troilus in 2001 included the purchase of an additional truck, equipment replacements and a lift of its tailings dam. Capital expenditures expected in 2002 at Troilus relate mainly to equipment replacements. In 2001, lower grade ore, totalling $3 million, was mined and stockpiled at Troilus to be processed at the end of the mine life. It is not expected that significant amounts of additional ore will be stockpiled.

At Çayeli, Inmet's share of capital expenditures was $4 million for the year, of which $1.4 million was spent on the construction of the new tailings pipeline which began in the fourth quarter of 2001. Inmet's share of Çayeli's anticipated capital spending in 2002 is $9 million, which includes the remaining costs to replace the tailings line, mine equipment replacement and the mill expansion.

Capital expenditures
Millions of C$



Included in 2001 investing activities are $2 million in costs spent in relation to Inmet's planned acquisition of Pyhäsalmi. Additional costs are expected to be incurred in 2002 with respect to this transaction, as discussed in the Outlook section of this report, on page 30.

Cash flows from financing activities

Debt repayments of $5 million in 2001 included Inmet's share of Çayeli's scheduled debt repayments of $3 million, which compares to $7 million in 2000. Inmet's share of Çayeli's scheduled debt repayments for 2002 is also $3 million. Further information on 2002 financing activities can be found on page 30 in the Outlook section.

Inmet repurchased a total of 1.1 million common shares during 2001 at a cost of $2 million. In 2000, Inmet repurchased 1.9 million common shares at a cost of $4 million. At February 5, 2002 Inmet had 35,275,600 common shares outstanding.

Financial condition

The book value of net assets is summarized below.

(millions of dollars, except share amounts)	2001	2000
Consolidated cash and short-term investments	$63.9	$77.3
Ok Tedi	71.1	79.1
Troilus	53.1	42.7
Çayeli	22.2	19.6
Izok	25.4	24.8
Petaquilla	16.7	16.7
Other	20.5	16.7
	272.9	276.9
Reclamation liabilities	(40.4)	(56.7)
Convertible debentures[1]	(51.4)	(49.7)
Çayeli project debt	(8.2)	(10.8)
Net book value	$172.9	$159.7
Shares outstanding	35,275,600	36,402,400
Net book value per share	$4.90	$4.39

[1]Net of the unamortized issue costs and discount of $12.7 million at December 31, 2001.

The impact of positive earnings, in particular the reduction of the reclamation liabilities and the repurchase of shares pursuant to a normal course issuer bid have had a positive impact on Inmet's net book value per share. The net book value per share increased $0.51 per share or 12 per cent. At December 31, 2001, Inmet's closing share price on The Toronto Stock Exchange was $3.15 per share.

The above net book value summary does not include any value associated with Inmet's 3.3 per cent net proceeds interest ("NPI") in respect of the Antamina project. On

February 22, 2002, Inmet entered into a put-call agreement with Noranda Inc., under which Noranda Inc. may, at any time until the end of 2003, purchase the NPI for U.S.$24 million. Alternatively, at Inmet's option, it may request Noranda Inc. to purchase the NPI for U.S.$15 million prior to the end of 2002, for U.S.$20 million during the first six months of 2003 or for U.S.$22.5 million during the last six months of 2003. If not exercised, the put-call agreement will expire at the end of 2003.

RISK MANAGEMENT

Financial risk

Inmet's earnings and cash flows are significantly affected by fluctuations in metal prices and in the exchange rate between the Canadian and United States dollars. Sensitivities to metal prices and foreign currencies are discussed in the Outlook section on page 31 which includes the impact of the expected acquisition of Pyhäsalmi and Inmet's additional interest in Çayeli.

In order to mitigate the impact of declining prices, Inmet from time to time enters into certain hedge transactions. The Board of Directors has approved hedging policies for both metals and currencies. The goal of any particular hedge program is to maintain sufficient liquidity for the relevant operation to meet its commitments while maintaining maximum leverage to upward metal price movements.

The following table includes Inmet's hedging transactions, in relation to Troilus, for the years 2002 to 2005:

	Hedge Volume	Percentage of Anticipated Production	Average Price
Gold			
2002 forward sales	72,000 ounces	45%	U.S.$321 per ounce
2002 bought call options	6,000 ounces	4%	U.S.$325 per ounce
2003 to 2005 forward sales	157,000 ounces	34%	U.S.$319 per ounce
Currency			
2002 bought put options	U.S.$18 million	35%	$1.5033
2002 sold call options	U.S.$18 million	35%	$1.5933
2003-05 bought put options	U.S.$46.5 million	30%	$1.5033
2003-05 sold call options	U.S.$46.5 million	30%	$1.5933

Inmet currently has not hedged any of its base metal exposure.

In 2001, Inmet has recorded hedging gains based on the contract average gold price of U.S.$327 per ounce. The price received for the year was U.S.$338 per ounce, therefore deferred revenue of $1.2 million has been recorded on the balance sheet in the year. All hedging transactions are under margin free facilities. As at December 31, 2001 the unrealized gain on the gold hedges was $11 million and the unrealized loss on the currency hedges was $1 million.

Credit risk, with respect to the commodity contracts outlined above, arises from the potential failure of counterparties to settle on contracts that are favourable to Inmet. Inmet manages this risk by dealing with highly-rated counterparties.

Earnings at Troilus are also highly sensitive to changes in the fuel price. For every one cent change in the fuel price, operating costs will change by approximately $0.1 million.

Inmet maintains defined benefit and defined contribution plans in Canada and, through its subsidiary Copper Range Company, in the United States. These plans have been self-funded for a number of years, with any required contributions being funded by surpluses in the pension plans. The considerable downturn in the North American financial markets over the past year has resulted in a reduction of Inmet's pension surplus. As a result, depending on future market conditions, Inmet may have to fund all or a part of the required current service contribution, which in 2001 was $1.0 million.

Operational risk

The mining industry is subject to many risks which can have a material impact on costs and productivity, including accidents, labour disputes, safety issues, extreme weather conditions, earthquakes, unexpected mining conditions, disparities between reserve estimates and actual production as a result of dilution or estimation errors, and changing regulatory requirements. While Inmet purchases insurance to protect against general and industry specific risks, there can be no assurance that this insurance will be sufficient to cover every circumstance.

Investment risk

On February 7, 2002, new arrangements came into effect under which BHP Billiton Limited ("BHP Billiton") transferred its 52 per cent equity interest in Ok Tedi to PNG Sustainable Development Program Company ("SDPCo"). SDPCo is independent of the Government of Papua New Guinea ("PNG") and BHP Billiton with a mandate to fund development in PNG.

Effective February 7, 2002, the shareholders of Ok Tedi are SDPCo (52 per cent), the Government of PNG (30 per cent) and Inmet (18 per cent). The new Ok Tedi board will have six directors: one nominee from each shareholder and three independent directors with international mining experience. Ok Tedi will own and operate the copper and gold mine located in the Western Province of PNG as an independent company. Substantially all members of the current senior management team are expected to remain with Ok Tedi for a reasonable transition period. Ok Tedi will also benefit from an obligation on the part of BHP Billiton to purchase, if requested by Ok Tedi, copper concentrates delivered to the Kiunga port in agreed upon amounts in the event of a drought during the next three years. A new shareholding agreement does not obligate Inmet to fund any cash requirements of Ok Tedi.

A new environmental regime and long-term mine closure planning process is provided for in the new Ok Tedi arrangements. As part of this regime, Ok Tedi has submitted a change notice to convert the test dredging operation into a permanent one to mitigate the future impact of aggradation build-up in the Ok Tedi and Fly River systems. The U.S.$35 million annual dredging cost is currently included in Ok Tedi's cash operating costs. In addition, Ok Tedi will establish a tax-deductible fund to set aside money over the balance of the mine life for reclamation of the mine site, the cost of which is currently estimated to be U.S.$150 million.

SDPCo will use future dividend payments from Ok Tedi to fund current and long-term sustainable development projects in PNG and in particular, the Western Province. Almost all communities affected by the operation of Ok Tedi have provided their consent to its continued operation under mine continuation agreements ("MCAs") between each such community and Ok Tedi. Under the MCAs, Ok Tedi and its shareholders are released from claims relating to future environmental impacts and Ok Tedi will provide approximately U.S.$47 million in compensation to affected communities over the remaining mine life.

Ok Tedi and BHP Billiton are co-defendants in legal proceedings commenced in the State of Victoria, Australia alleging breach of a 1996 settlement agreement relating to earlier claims for damages arising from the environmental impacts of the mine. Ok Tedi is advised that it has good defenses to this action. Inmet is not a party to those proceedings. As a shareholder of Ok Tedi, a limited liability corporation incorporated under the laws of PNG, Inmet enjoys the legal protections afforded to shareholders under those laws.

Political risk

Inmet operates internationally in developing countries such as Papua New Guinea and Turkey. Inmet does not regard the developing nature of these countries as a significant deterrent to operation in these countries. In order to mitigate political risk, Inmet has from time to time entered into joint venture arrangements with local partners and international financing agencies. Inmet does not currently maintain political risk insurance for its investments.

Environmental risk

Inmet's operations are subject to environmental laws and regulations in Canada and in other countries, primarily the United States, Turkey and Papua New Guinea. The potential for changes in laws and regulations creates significant measurement uncertainty with regard to the actual environmental and reclamation costs that Inmet will incur in the future. Environmental and regulatory review has become a long, complex and uncertain process which can delay the opening of a new mine or prolong decommissioning activities at closed mines. Regulatory developments or changes in the assessment of conditions at closed sites can cause substantial variances, positive or negative, from prior estimates of reclamation liabilities.

Inmet has capped, through insurance, its reclamation project costs at Copper Range, Winston Lake and Norbec. The insurance policy requires the insurer to pay for reclamation expenditures in respect of known conditions, in excess of specific limits at each of the insured sites. The insurer covers overruns above the site limits, to a maximum of $30 million. Based on costs incurred to date and expected future costs, the $30 million maximum limit is not likely to be reached.

Financial assurance risk

Inmet is required to maintain financial assurance instruments with respect to both performance and financial obligations of the Company, relating to environmental and other matters. The financial assurance, in the form of letters of credit and surety bonds, amounted to $20 million as at December 31, 2001. Since the fourth quarter of 2001 there has been significantly reduced capacity in the surety bond markets. The alternative for Inmet to surety bonds includes obtaining letters of credit for, or cash collateralizing, its performance and financial obligations. In the first quarter of 2002, Inmet expects to obtain a bank facility that will provide letters of credit coverage for the majority of its financial assurance requirements. Therefore it is not expected that the financial impact regarding these recent market changes will be significant to Inmet.

The majority of Inmet's insurance policies are renewed in September 2002. As the reinsurance markets are currently assessing the impact of recent worldwide events, it is not possible to determine what the financial impact may be when Inmet's insurance program is renewed.

OUTLOOK

2001 was a difficult year for base metal producers due to the dramatic decline in metal prices. In spite of this, Inmet delivered positive earnings from its operations and entered into a number of agreements, which are expected to provide for future production and earnings growth.

Continuous improvement objectives will continue at Çayeli and Troilus, in particular, further throughput increases at Çayeli. In 2002 we will continue our disciplined approach of cost reduction for general and administration, corporate development and exploration and reclamation spending. By accomplishing our objectives, Inmet expects its positive performance to be maintained into 2002.

In 2002, Inmet's results are expected to be enhanced by two strategic acquisitions. The acquisition of 100 per cent of the Pyhäsalmi copper and zinc mine in Finland and the acquisition of an additional six per cent of Çayeli, both of which are expected to close in the first quarter of 2002.

In the first quarter of 2002 Inmet expects to finalize the purchase of 100 per cent of Pyhäsalmi from Outokumpu Oyj ("Outokumpu"). As consideration for the mine, Inmet will deliver to Outokumpu at closing €45 million ($62 million) in cash, a €14 million ($19 million) 10-year six per cent promissory note and four million Inmet common shares (issued at $4.50 per share). As part of financing for this transaction, Inmet expects to secure a U.S.$40 million revolving bank facility. No principal payments will be required on the facility until July 1, 2003 and the final maturity is December 31, 2006. The facility contains customary terms and conditions, including financial covenants. Such conditions are not expected to restrict the ability of Inmet's subsidiaries to transfer funds to it. The promissory note to Outokumpu will be subordinated to the credit facility with no principal repayments until maturity.

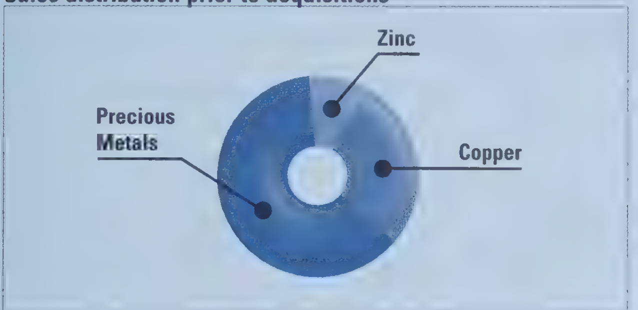
When the acquisition closes, Pyhäsalmi will be consolidated into Inmet's results. The expected impact of this acquisition on Inmet is summarized as follows:

- Copper mineral reserves will increase approximately 30 per cent.
- Zinc mineral reserves will increase over 100 per cent.
- Sales will increase and the distribution between metals will change appreciably (as shown in the pie charts to the right).
- Cash costs per pound of copper will remain in the lowest quartile, due to low operating costs at Pyhäsalmi.
- Interest expense will increase as a result of the bank facility and the promissory note.
- Income taxes will reflect the effective tax rate for Pyhäsalmi of approximately 36 per cent.
- Increased leverage to copper and zinc and sensitivity to the Euro.

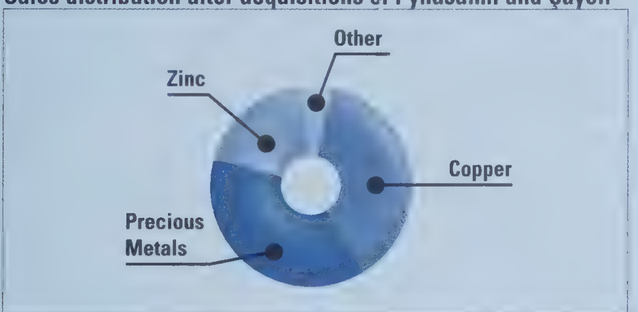
Inmet is expected to acquire an additional six per cent of Çayeli in the first quarter of 2002. Following the acquisition, Inmet will own a 55 per cent interest in Çayeli. As a result, Çayeli will be fully consolidated into Inmet's results effective from the date of acquisition.

As a result of the previously discussed transactions, Inmet's financial structure will be significantly different from the one presented at December 31, 2001. Total assets are expected to increase by approximately $150 million and debt is expected to increase by approximately $75 million.

Sales distribution prior to acquisitions



Sales distribution after acquisitions of Pyhäsalmi and Çayeli



Operating cash flows in 2002 are contingent on results from Inmet's operations and the metal price environment. The world economic outlook for 2002 remains uncertain. It is unlikely that positive economic growth will be seen before the second half of 2002, which is when metal prices could begin to recover.

Factoring in the expected 2002 acquisitions, the sensitivity of Inmet's net income to changes in metal prices and to changes in foreign currency exchange rates, based on 2002 sales estimates, are as follows:

	Change in Metal Prices	Effect on Net Income[1]	Effect Per Share
Copper (per pound)	U.S.$0.10	$13 million	$0.33
Zinc (per pound)	U.S.$0.10	$6 million	$0.15
Gold (per ounce)	U.S.$10.00	$1 million	$0.03

	Change in Exchange Rate	Effect on Net Income	Effect Per Share
Canadian dollar/U.S. dollar	C$0.05	$3 million	$0.08
Canadian dollar/Euro	C$0.05	$1 million	$0.03

[1]Calculations include hedging in place at December 31, 2001. Calculations assume that all dividends received from Ok Tedi are recorded in income.

Included in the copper sensitivity is Ok Tedi's leverage to copper. A U.S.$0.10 per pound change in the price of copper could change Inmet's share of dividends by $6 million. Typically the impact of this change is recognized based on a one-year lag as a result of the timing of the dividends. Depending on Ok Tedi's accumulated income or loss subsequent to April 1, 2000, all or a portion of any dividend may be recorded as a reduction in Inmet's carrying value of Ok Tedi and therefore not reflected in earnings.

Other potential sources of cash flow include proceeds from the award of damages from the litigation against Homestake in connection with the failure of Homestake to complete the purchase of Troilus.

Following the two planned acquisitions previously discussed, Inmet will control three out of its four operations, which increases Inmet's ability to maximize the value of these operations. Each of the operations generates free cash flow sufficient to fund its own capital expenditures and financing requirements.

CAUTIONARY STATEMENT

Some of the disclosures included in this Management's Discussion and Analysis represent forward-looking information. Such statements are subject to inherent risks and uncertainties as they are based on assumptions and estimates related to future economic and market conditions. While the reasonableness of these assumptions is reviewed regularly by management, unusual or unanticipated events could cause actual results to differ materially from those stated in the forward-looking information.

QUARTERLY REVIEW

2001
(unaudited)

(thousands of dollars, except per share amounts)	First quarter	Second quarter	Third quarter	Fourth quarter	Year
STATEMENTS OF OPERATIONS					
Sales	$22,691	$26,699	$29,394	$27,975	$106,759
Cost of sales	(20,273)	(22,080)	(24,989)	(23,146)	(90,488)
Corporate development and exploration	(1,028)	(829)	(1,354)	(1,693)	(4,904)
General and administration	(1,168)	(1,107)	(910)	(1,300)	(4,485)
Net interest and other income	(933)	(1,603)	128	4,127	1,719
Capital tax expense	(225)	(2)	(181)	203	(205)
Income tax expense	(1,841)	58	(1,514)	(1,217)	(4,514)
Reduction in provision for reclamation costs	–	–	–	15,000	15,000
Net income (loss)	$(2,777)	$1,136	$574	$19,949	$18,882
Net income (loss) per common share[1]	$(0.10)	$0.01	$(0.01)	$0.54	$0.44

2000
(unaudited)

(thousands of dollars, except per share amounts)	First quarter	Second quarter	Third quarter	Fourth quarter	Year
STATEMENTS OF OPERATIONS					
Sales	$28,437	$25,613	$28,573	$21,317	$103,940
Cost of sales	(20,973)	(19,794)	(19,583)	(18,931)	(79,281)
Share of loss in associated company	(263)	–	–	–	(263)
Corporate development and exploration	(2,335)	(1,871)	(2,606)	(2,823)	(9,635)
General and administration	(1,195)	(1,512)	(1,566)	(2,646)	(6,919)
Net interest and other income	473	1,576	(209)	4,646	6,486
Capital tax expense	(214)	(214)	(214)	(214)	(856)
Income tax expense	(1,521)	(1,392)	(1,961)	(161)	(5,035)
Net income	$2,409	$2,406	$2,434	$1,188	$8,437
Net income per common share[1]	$0.04	$0.04	$0.04	$0.01	$0.14

[1]Net income (loss) per common share has been calculated using a weighted average of shares outstanding for each period.

AUDITORS' REPORT

To the Shareholders of Inmet Mining Corporation:

We have audited the consolidated balance sheets of Inmet Mining Corporation as at December 31, 2001 and 2000 and the consolidated statements of operations, deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and 2000 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Toronto, Canada
February 5, 2002

Chartered Accountants

SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of Inmet Mining Corporation (the "Corporation"), its subsidiaries and the Corporation's proportionate interest in Çayeli Bakir Isletmeleri A.S. ("Çayeli").

Basis of segmented disclosure

The Corporation's operations are managed independently of each other primarily because of their geographical diversity. Each operation retains its own management team and is responsible for compiling its own financial information. The segmented financial statements reflect this structure.

The Corporation's interests in operating properties include Çayeli, Troilus and Ok Tedi Mining Limited ("Ok Tedi"). Çayeli is a 49 per cent owned joint venture, located in Turkey, which produces copper and zinc concentrates. Troilus is a wholly-owned gold mine, located in Quebec. The Corporation owns an 18 per cent share in Ok Tedi, which owns a copper mine located in Papua New Guinea.

Cash and short-term investments

Cash and short-term investments consist of balances with banks and investments in money market instruments. These investments are carried at cost, which approximates market. Cash and cash equivalents consist of investments with maturities of 90 days or less at the date of purchase. Short-term investments consist of investments with maturities between 91 days and one year at the date of purchase.

Investments

Effective April 1, 2000 the Corporation changed its method of accounting for Ok Tedi to the cost method. Under this method, earnings will be recognized only when dividends are received from Ok Tedi's earnings which have accumulated from April 1, 2000. When the dividends received subsequent to April 1, 2000 exceed the Corporation's share of Ok Tedi's accumulated earnings during that same period, the dividend is recorded as a reduction in the carrying value of the investment. Prior to April 1, 2000, the Corporation accounted for its investment in Ok Tedi by the equity method. Under this method the Corporation included in the consolidated statements of operations its share of the net earnings or losses of Ok Tedi.

Inventories

Inventories of stockpiled ore and inventories of concentrates and gold doré, which are ready for sale, but for which title has not yet been transferred to the purchaser, are valued at the lower of cost and net realizable value. The inventory value includes costs directly related to bringing the inventory to its current condition, such as mining and milling costs. Materials and supplies are valued at the lower of average cost and replacement cost. Inventories of stockpiled ore which are not expected to be processed in the next year are classified as other assets.

Capital assets

Exploration costs are charged to earnings in the year in which they are incurred. When it is determined that development of a property is reasonably foreseeable, further development and exploration expenditures, including interest and financing costs on funds borrowed, are capitalized. When production commences, these costs, together with property acquisition costs, are reclassified to property and amortized on the unit-of-production method based on the economic life of the related deposit.

Plant and equipment are recorded at cost and amortized based on the straight-line method over their estimated useful lives, which range from three to fifteen years.

Mining costs associated with waste rock removal at Troilus are capitalized when the actual strip ratio exceeds the average life-of-mine strip ratio, and amortized when the actual strip ratio is below the expected average life-of-mine ratio. The strip ratio is calculated as estimated tonnes of waste material to be mined divided by estimated tonnes of ore to be mined.

The Corporation reviews and evaluates the recoverability of capital assets periodically based on estimated future undiscounted net cash flows from each property. Net cash flows include estimates on recoverable reserves, future metal prices and future operating, capital and reclamation costs. If estimated future net cash flows are less than the carrying value of the property the difference is charged against income. In addition, the Corporation considers other factors, including the ability to obtain sufficient financing for the project or the ability to recover its costs through a disposition of the property. Estimates of future cash flows are subject to risks and uncertainties. It is possible that changes could occur which may affect the recoverability of capital assets. In certain circumstances, the Corporation evaluates the recoverability of capital assets based on estimated net realizable value.

Reclamation costs

Reclamation costs are provided for over the estimated lives of the mines to which they relate. The resulting obligation is reduced as reclamation and closure expenditures are made. Provisions with respect to long-term water treatment obligations are provided for on a discounted basis. The annual interest cost on the discounted obligation is included in interest expense.

Because of uncertainties concerning environmental remediation, the ultimate cost to the Corporation of future site restoration could differ from the amounts provided. The estimate of the total liability of future site restoration costs is subject to change based on amendments to laws and regulations and as new information concerning the Corporation's operations becomes available. Future changes, if any, in requirements, laws, regulations and the Corporation's operations may be significant and would be recognized prospectively, as a change in estimate, when applicable. The Corporation is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

Employee future benefits

The Corporation provides retirement benefits for substantially all of its employees under a number of defined benefit and defined contribution plans. The defined benefit plans' pension costs are actuarially determined each year using the accrued benefit method. Pension expense includes current service costs and the amortization of the transitional asset on a straight-line basis over the expected average remaining service lives of the employee groups. Any gains or losses on plan settlements or curtailments are recognized in income in the period incurred. Any differences arising between the cumulative amounts expensed and the funding contributions are reflected in the balance sheet as either a liability or an asset.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year end exchange rates, whereas non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the transaction date. Income and expense items are translated at the exchange rate in effect on the date of the transaction. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statements of operations.

The Corporation has determined that the United States dollar is the functional currency of Çayeli. The assets and liabilities of Çayeli are translated into Canadian dollars at rates of exchange in effect at year end. The revenues and expenses of this self-sustaining operation are translated at the rate of exchange in effect at the dates on which they are recognized in income during the year. Foreign currency translation adjustments are deferred and included as a separate component of shareholders' equity.

Revenue recognition

Effective 2001, the Corporation changed its method of recognizing revenue. Revenue is now recognized when title passes to the customer in accordance with evolving practice. The financial impact of this accounting change has been retroactively applied to prior year financial periods. Prior to this change, revenue was recognized at the time of production. The effect of this change resulted in a decrease in 2000 net income of $0.1 million ($0.00 per share) and a reduction to 2000 opening retained earnings of $2.4 million.

Effective 2001, the Corporation changed its method of accounting for its gold forward sales contracts. This change has been applied retroactively to January 1, 2000. Revenue is recognized as designated production is delivered to meet the contracted commitment at the average gold price realized over the term of the contract. Realized gains in excess of recognized gains are included in other liabilities as deferred revenue. Prior to the change, revenue was recognized based on the contract price for the specific settlement date. The effect of the change resulted in a decrease in 2000 net income of $1.2 million ($0.03 per share).

Financial instruments

The Corporation enters into hedging transactions, from time to time, in order to reduce exposure to changing prices on the sale of future production. Hedging transactions, which include forward sales and options, are recognized in revenue when the hedged production is sold. Option premiums are amortized to income in relation to the production being hedged.

Income taxes

Income taxes are calculated using the liability method of tax accounting. Under this method of tax allocation, future income and mining tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change is enacted or substantially enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Earnings per share

Effective 2001, the Corporation has adopted the new Recommendations of the Canadian Institute of Chartered Accountants relating to the calculation of earnings per share and restated earnings per share amounts as required. Under the new recommendations, the treasury stock method is used to calculate diluted earnings per share and assumes that any "in the money" option proceeds would be used to purchase common shares of the Corporation at the average market price during the year.

Use of estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Comparative amounts

Certain comparative amounts have been reclassified to conform to the 2001 presentation.

CONSOLIDATED BALANCE SHEETS

As at December 31, 2001

(thousands of dollars)	2001	2000 Restated (note 1)
ASSETS		
Current assets:		
Cash and short-term investments	**$63,871**	$77,259
Accounts receivable	**42,273**	30,176
Inventories	**20,071**	16,999
Future income tax asset (note 4)	**4,542**	2,831
	130,757	127,265
Investments (note 2)	**72,845**	80,812
Capital assets (note 3)	**88,508**	85,787
Future income tax asset (note 4)	**4,366**	8,536
Other assets	**13,209**	12,026
	$309,685	$314,426
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	**$26,130**	$26,047
Current portion of long-term debt (note 5)	**5,158**	4,799
Reclamation liabilities (note 6)	**4,000**	4,700
	35,288	35,546
Long-term debt (note 5)	**16,981**	21,700
Reclamation liabilities (note 6)	**36,397**	52,018
Other liabilities (note 7)	**8,664**	9,979
Commitments and contingencies (note 9)		
SHAREHOLDERS' EQUITY		
Convertible debentures (note 10)	**37,413**	33,959
Share capital (note 11)	**215,678**	222,568
Contributed surplus	**66,999**	62,368
Deficit	**(109,800)**	(125,228)
Foreign currency translation account	**2,065**	1,516
	212,355	195,183
	$309,685	$314,426

(See accompanying notes)

On behalf of the Board:

Richard A. Ross
Director

Paul E. Gagné
Director

SEGMENTED BALANCE SHEETS

As at December 31, 2001

(thousands of dollars)	ÇAYELI (Turkey)	TROILUS (Canada)	OTHER[1]	CORPORATE	TOTAL
ASSETS					
Cash and short-term investments	$4,343	$ -	$163	$59,365	$63,871
Other current assets	14,692	39,154	117	12,923	66,886
Investments	-	-	-	72,845	72,845
Capital assets	17,475	28,255	42,089	689	88,508
Other assets	309	2,908	-	14,358	17,575
	$36,819	$70,317	$42,369	$160,180	$309,685
LIABILITIES					
Current liabilities	$10,926	$12,706	$4,000	$7,656	$35,288
Long-term debt	4,917	-	-	12,064	16,981
Reclamation and other liabilities	562	4,472	36,397	3,630	45,061
	$16,405	$17,178	$40,397	$23,350	$97,330

As at December 31, 2000
Restated (note 1)

(thousands of dollars)	ÇAYELI (Turkey)	TROILUS (Canada)	OTHER[1]	CORPORATE	TOTAL
ASSETS					
Cash and short-term investments	$17,880	$ -	$321	$59,058	$77,259
Other current assets	12,310	29,055	143	8,498	50,006
Investments	-	-	-	80,812	80,812
Capital assets	14,744	29,114	41,526	403	85,787
Other assets	2,748	37	-	17,777	20,562
	$47,682	$58,206	$41,990	$166,548	$314,426
LIABILITIES					
Current liabilities	$11,023	$9,829	$4,700	$9,994	$35,546
Long-term debt	7,715	-	-	13,985	21,700
Reclamation and other liabilities	715	5,634	52,018	3,630	61,997
	$19,453	$15,463	$56,718	$27,609	$119,243

[1] "Other" includes shut down operations and development properties.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31

(thousands of dollars except per share amounts)	**2001**	2000
		Restated (note 1)
Sales	**$106,759**	$103,940
Cost of sales	**(84,584)**	(73,948)
Amortization	**(5,904)**	(5,333)
Share of loss in associated company	**-**	(263)
	16,271	24,396
Corporate development and exploration	**(4,904)**	(9,635)
General and administration	**(4,485)**	(6,919)
Investment and other income (note 12)	**4,778**	10,281
Interest expense	**(3,059)**	(3,795)
Capital tax expense	**(205)**	(856)
Income tax expense (note 4)	**(4,514)**	(5,035)
Reduction in provision for reclamation costs (note 6)	**15,000**	-
Net income	**$18,882**	$8,437
Basic and diluted net income per common share (note 11)	**$0.44**	$0.14

(See accompanying notes)

SEGMENTED STATEMENTS OF OPERATIONS

For the year ended December 31, 2001

(thousands of dollars)	ÇAYELI (Turkey)	TROILUS (Canada)	OTHER[1]	CORPORATE	TOTAL
Sales	$28,402	$78,357	$ -	$ -	$106,759
Cost of sales	(19,996)	(64,588)	-	-	(84,584)
Amortization	(1,795)	(4,109)	-	-	(5,904)
	6,611	9,660	-	-	16,271
Corporate development and exploration	-	-	-	(4,904)	(4,904)
General and administration	-	-	-	(4,485)	(4,485)
Investment and other income	-	-	-	4,778	4,778
Interest expense	(685)	-	(925)	(1,449)	(3,059)
Capital tax expense	-	-	-	(205)	(205)
Income tax (expense) recovery	(5,272)	-	-	758	(4,514)
Reduction in provision for reclamation costs	-	-	15,000	-	15,000
Net income (loss)	$654	$9,660	$14,075	$(5,507)	$18,882

For the year ended December 31, 2000
Restated (note 1)

(thousands of dollars)	ÇAYELI (Turkey)	TROILUS (Canada)	OTHER[1]	CORPORATE	TOTAL
Sales	$41,743	$62,197	$ -	$ -	$103,940
Cost of sales	(20,801)	(53,147)	-	-	(73,948)
Amortization	(2,469)	(2,864)	-	-	(5,333)
Share of loss in associated company	-	-	-	(263)	(263)
	18,473	6,186	-	(263)	24,396
Corporate development and exploration	-	-	-	(9,635)	(9,635)
General and administration	-	-	-	(6,919)	(6,919)
Investment and other income	802	-	-	9,479	10,281
Interest expense	(1,198)	-	(973)	(1,624)	(3,795)
Capital tax expense	-	-	-	(856)	(856)
Income tax (expense) recovery	(6,161)	-	-	1,126	(5,035)
Net income (loss)	$11,916	$6,186	$(973)	$(8,692)	$8,437

[1] "Other" includes shut down operations.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

(thousands of dollars)	**2001**	2000 Restated (note 1)
Cash provided by (used in) operating activities		
Net income	**$18,882**	$8,437
Add (deduct) items not affecting cash:		
Share of loss in associated company	**-**	263
Amortization	**5,904**	5,333
Future income tax	**334**	12
Reduction in provision for reclamation costs	**(15,000)**	-
Other	**2,719**	(401)
Distributions in excess of earnings from Ok Tedi	**7,967**	-
Net change in non-cash working capital	**(10,381)**	13,090
	10,425	26,734
Reclamation costs, net of related asset sales	**(3,304)**	(12,225)
	7,121	14,509
Cash provided by (used in) investing activities		
Capital assets	**(9,042)**	(18,773)
Long-term stockpile	**(2,908)**	-
Acquisitions and dispositions	**(1,331)**	345
Short-term investments	**4,925**	52
	(8,356)	(18,376)
Cash used in financing activities		
Long-term debt repayment	**(4,958)**	(8,342)
Share buyback	**(2,270)**	(3,938)
	(7,228)	(12,280)
Decrease in cash and cash equivalents	**(8,463)**	(16,147)
Cash and cash equivalents:		
Beginning of year	**32,505**	48,652
End of year	**24,042**	32,505
Short-term investments	**39,829**	44,754
Cash and short-term investments	**$63,871**	$77,259

(See accompanying notes)

SEGMENTED STATEMENTS OF CASH FLOWS

For the year ended December 31, 2001

(thousands of dollars)	ÇAYELI (Turkey)	TROILUS (Canada)	OTHER[1]	CORPORATE	TOTAL
Cash provided by (used in) operating activities					
Before net change in non-cash working capital	$3,604	$17,394	$(4,229)	$733	$17,502
Net change in non-cash working capital	(3,295)	(9,502)	-	2,416	(10,381)
	309	7,892	(4,229)	3,149	7,121
Cash provided by (used in) investing activities					
Capital assets and long-term stockpile	(3,559)	(7,210)	(562)	(619)	(11,950)
Acquisitions and dispositions	-	-	-	(1,331)	(1,331)
Short-term investments	-	-	-	4,925	4,925
	(3,559)	(7,210)	(562)	2,975	(8,356)
Cash used in financing activities	(3,204)	-	-	(4,024)	(7,228)
Intergroup funding (distributions)	(7,083)	(682)	4,633	3,132	-
Increase (decrease) in cash and cash equivalents	(13,537)	-	(158)	5,232	(8,463)
Cash and cash equivalents:					
Beginning of year	17,880	-	321	14,304	32,505
End of year	4,343	-	163	19,536	24,042
Short-term investments	-	-	-	39,829	39,829
Cash and short-term investments	$4,343	$ -	$163	$59,365	$63,871

For the year ended December 31, 2000
Restated (note 1)

(thousands of dollars)	ÇAYELI (Turkey)	TROILUS (Canada)	OTHER[1]	CORPORATE	TOTAL
Cash provided by (used in) operating activities					
Before net change in non-cash working capital	$15,408	$10,006	$(13,198)	$(10,797)	$1,419
Net change in non-cash working capital	5,094	5,327	-	2,669	13,090
	20,502	15,333	(13,198)	(8,128)	14,509
Cash provided by (used in) investing activities					
Capital assets	(3,566)	(14,999)	-	(208)	(18,773)
Dispositions	-	-	-	345	345
Short-term investments	-	-	-	52	52
	(3,566)	(14,999)	-	189	(18,376)
Cash used in financing activities	(6,744)	-	-	(5,536)	(12,280)
Intergroup funding (distributions)	(800)	(334)	12,678	(11,544)	-
Increase (decrease) in cash and cash equivalents	9,392	-	(520)	(25,019)	(16,147)
Cash and cash equivalents:					
Beginning of year	8,488	-	841	39,323	48,652
End of year	17,880	-	321	14,304	32,505
Short-term investments	-	-	-	44,754	44,754
Cash and short-term investments	$17,880	$ -	$321	$59,058	$77,259

[1] "Other" includes shut down operations and development properties.

CONSOLIDATED STATEMENTS OF DEFICIT

For the years ended December 31

(thousands of dollars)	**2001**	2000
Deficit, beginning of year:		
As previously reported	**$(121,492)**	$(128,080)
Prior year's adjustment to reflect change in:		
Change in accounting policy with respect to revenue recognition	**(2,541)**	(2,408)
Accounting for hedge contracts	**(1,195)**	-
As restated	**(125,228)**	(130,488)
Net income	**18,882**	8,437
Accretion on equity component of convertible debentures (note 10)	**(3,454)**	(3,177)
Deficit, end of year	**$(109,800)**	$(125,228)

(See accompanying notes)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Inmet Mining Corporation were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances. The significant accounting policies of the Corporation are summarized on pages 33 to 35.

Management has established systems of internal control over the financial reporting process. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use and financial records are properly maintained to provide reliable information for preparation of financial statements.

KPMG LLP, the Corporation's independent auditors, have been appointed by the shareholders to conduct an audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and to express an opinion as to whether management's consolidated financial statements present fairly the Corporation's consolidated financial position and operating results in accordance with Canadian generally accepted accounting principles. KPMG's report is on page 33.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. The Board of Directors is assisted in these responsibilities by its Audit Committee, whose members are not officers of the Corporation. The Audit Committee meets periodically with management as well as with the independent auditors to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Annual Report to ensure the financial information reported therein is consistent with the information presented in the financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Richard A. Ross
President and
Chief Executive Officer

Jo-Anne Sayers
Vice-President, Finance and
Chief Financial Officer

February 5, 2002

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation

The consolidated financial statements of the Corporation are expressed in thousands of Canadian dollars, except for earnings per share, and have been prepared in accordance with Canadian generally accepted accounting principles, which have been applied in a consistent manner between years except revenue recognition and earnings per share, the changes in which are described in Significant Accounting Policies.

2. Investments

At December 31, the carrying value of the Corporation's investments was as follows:

(thousands of dollars)	**2001**	2000
Ok Tedi	**$71,131**	$79,098
Other	**1,714**	1,714
	$72,845	$80,812

As at December 31, 2001 and 2000, the Corporation held an 18 per cent ordinary share interest in Ok Tedi. On April 1, 2000, the Corporation changed its method of accounting for its investment in Ok Tedi from the equity to the cost method. A dividend of $8.0 million was received in 2001 and no dividends were received in 2000. The dividend received in 2001 was recorded as a reduction in the carrying value of the investment in Ok Tedi as the dividend exceeded the post April 1, 2000 accumulated earnings at Ok Tedi.

3. Capital assets

At December 31, capital assets consisted of the following:

2001

(thousands of dollars)	Cost	Accumulated Amortization	Net Book Value
Plant and equipment	**$52,646**	**$18,087**	**$34,559**
Capitalized stripping	**12,912**	**1,052**	**11,860**
Deferred development and exploration:			
Izok	**25,364**	**-**	**25,364**
Petaquilla	**16,725**	**-**	**16,725**
	$107,647	**$19,139**	**$88,508**

2000

(thousands of dollars)	Cost	Accumulated Amortization	Net Book Value
Plant and equipment	$44,792	$12,497	$32,295
Capitalized stripping	11,966	-	11,966
Deferred development and exploration:			
Izok	24,801	-	24,801
Petaquilla	16,725	-	16,725
	$98,284	$12,497	$85,787

4. Income taxes

A reconciliation between taxes calculated by applying the statutory tax rate to pre-tax income and income tax expense is as follows:

(thousands of dollars)	2001	2000
Income before income taxes	$23,396	$13,472
Canadian combined federal and provincial income tax rate	39%	39%
Expected income taxes	$9,124	$5,254
Tax effect of:		
Recognition of losses of previous years	(6,767)	(4,573)
Foreign exchange not recognized for accounting purposes	2,305	-
Foreign taxes at different rates	698	2,337
Additional deductions for tax	(1,487)	(1,789)
Non taxable income	(1,453)	-
Resource allowance	(733)	1,383
Non-deductible expenses	840	7
Losses of foreign subsidiaries	1,692	2,034
	4,219	4,653
Large corporation tax	295	382
Income tax expense	$4,514	$ 5,035

In 2001, income tax expense includes current taxes of $4.2 million (2000 - $5.0 million) and future taxes of $0.3 million (2000 - nil). Also in 2001, the Corporation paid taxes of $5.8 million (2000 - $5.5 million) and received refunds from overpayments of prior years' taxes of $0.8 million (2000 - $0.6 million).

At December 31, 2001, the Corporation had capital loss carry-forwards of approximately $393 million (2000 - $260 million) and approximately $23 million (2000 - $46 million) of Canadian non-capital loss carry-forwards expiring in 2006 and 2007.

As at December 31, the significant components within the Corporation's future tax asset were as follows:

(thousands of dollars)	2001	2000
Capital losses	$75,800	$50,300
Capital assets	66,066	75,553
Canadian resource deductions	41,122	43,197
Reclamation liabilities	9,733	10,023
Non-capital losses	8,864	18,103
Other	4,489	3,618
Future income tax asset before valuation allowance	206,074	200,794
Valuation allowance	(197,166)	(189,427)
Future income tax asset	8,908	11,367
Less current portion	4,542	2,831
	$4,366	$8,536

In addition, the Corporation had approximately U.S.$166 million (2000 – U.S.$164 million) of U.S. tax loss carry-forwards, expiring over the next 20 years. The U.S. tax loss carry-forwards relate to subsidiaries, the operations of which have been suspended. Since no recovery is available, no amount has been taken into account with respect to these losses in determining the Corporation's future income tax asset, and as such has not been included in the above table.

The Corporation's future income tax asset before valuation allowance is $206 million, most of which relates to Canadian taxes. The realization of this asset is dependent upon the generation of future taxable income and taxable capital gains. A valuation of $197 million has been provided against this asset.

5. Debt

At December 31, debt consisted of the following:

(thousands of dollars)	Note	2001	2000
Çayeli project financing		**$8,195**	$10,801
Debt component of convertible debentures	10	**13,944**	15,698
		22,139	26,499
Less current portion:			
Çayeli project financing		**3,278**	3,086
Debt component of convertible debentures		**1,880**	1,713
		5,158	4,799
		$16,981	$21,700

At December 31, 2001, the Corporation's share of Çayeli's project financing, which is denominated in United States dollars, was $8.2 million (2000 - $10.8 million). The facility bears interest at the London Interbank Offered Rate plus 2.25 per cent per annum and has a term to 2004.

The Corporation's share of Çayeli's annual principal payments, as expressed in thousands of Canadian dollars, is as follows:

2002	$3,278
2003	3,278
2004	1,639
	$8,195

The loan is secured by a first ranking mortgage over substantially all of the assets of Çayeli and a pledge of the shares of Çayeli. The Corporation has severally guaranteed 52.1 per cent of the total amount outstanding.

6. Reclamation liabilities

The reclamation balances as at December 31 are summarized in the following table:

(thousands of dollars)	2001	2000
Present value of future water treatment costs	**$17,000**	$16,200
Closure costs at closed properties	**20,054**	38,356
Closure accruals for operating mines	**3,343**	2,162
	40,397	56,718
Less current portion	**4,000**	4,700
	$36,397	$52,018

The Corporation reduced its provision for reclamation liabilities by $15 million in 2001 to reflect the substantial reduction in future estimated spending at its closed properties.

7. Other liabilities

At December 31, other liabilities consisted of the following:

(thousands of dollars)	2001	2000
Government assistance obligation	**$3,050**	$4,700
Long-term compensation obligations	**2,953**	2,953
Deferred revenue	**1,422**	934
Other	**1,239**	1,392
	$8,664	$9,979

8. Pension plans

The Corporation maintains both defined benefit and defined contribution pension plans. Pension payments made to retirees in the defined benefit plans are computed based on various factors, including years of service and highest average remuneration in a specified period or a stated amount for each year of service as specified in the plan agreements. The Corporation funded all contributions from its pension surplus in 2001 and 2000. Pension expense for 2001 was $0.1 million (2000 - $0.2 million).

Benefit obligations are updated regularly through actuarial valuations. The following significant actuarial assumptions were used to determine the periodic pension expense and accrued benefit obligations:

	2001	2000
Expected long-term rate of return on plan assets	**8%**	8%
Discount rate on accrued pension obligations	**6% and 7%**	7%
Rate of compensation increase	**4%**	4%

The components of pension expense for 2001 and 2000 are as follows:

(thousands of dollars)	2001	2000
Current service cost – defined benefit	**$184**	$172
Current service cost – defined contribution	**1,019**	969
Interest cost on projected benefit obligations	**2,724**	2,653
Expected return on pension fund assets	**(3,695)**	(3,505)
Net amortization, deferrals and other	**(105)**	(125)
Net pension expense	**$127**	$164

At December 31, information on the Corporation's defined benefit pension plans was as follows:

(thousands of dollars)	2001	2000
Plan assets		
Market value of plan assets, beginning of year	**$47,741**	$48,365
Actual return (loss) on plan assets	**(2,021)**	3,153
Employer contributions	**–**	253
Surplus applied to defined contribution plan	**(992)**	(1,024)
Benefits paid	**(3,428)**	(3,869)
Foreign exchange	**1,315**	863
Market value of plan assets, end of year	**42,615**	47,741
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	**37,378**	34,900
Current service cost	**184**	172
Interest cost	**2,724**	2,653
Actuarial loss	**2,492**	2,783
Benefits paid	**(3,428)**	(3,869)
Foreign exchange	**1,333**	739
Accrued benefit obligation, end of year	**40,683**	37,378
Plan assets in excess of accrued benefit obligations	**1,932**	10,363
Unamortized transitional asset	**(1,336)**	(1,572)
Unamortized net actuarial loss (gain)	**5,519**	(2,697)
Other	**19**	167
Pension asset	**$6,134**	$6,261

9. Commitments and contingencies

The Corporation maintains letters of credit and surety bonds amounting to $20 million as at December 31, 2001. These instruments provide financial assurance with respect to both performance and financial obligations of the Corporation relating to environmental and other matters. The liabilities to which these instruments relate have been accrued in reclamation and other liabilities (notes 6 and 7). The Corporation's letters of credit totalling $8 million are secured by an assignment of receivables relating to the Troilus operation. The Corporation's obligations in respect of the remaining letters of credit and the surety bonds are unsecured.

On January 15, 2002 the Corporation received judgment in its British Columbia Supreme Court action against Homestake Canada, Inc. ("Homestake") in connection with the failure of Homestake to complete the purchase of Troilus. The judgment affirms the Corporation's position that Homestake wrongfully repudiated its agreement to purchase the Troilus mine in 1997 and awarded the Corporation damages in lieu of specific performance in the amount of $88.2 million. The Corporation has sufficient capital losses to offset any taxes that might otherwise be payable on receipt of the judgment (note 4).

10. Convertible debentures

The convertible debentures have been segregated into their debt and equity components as at December 31, as follows:

(thousands of dollars)	Note	2001	2000
Debt component	5	**$13,944**	$15,698
Equity component, net of unamortized issue costs of $1.1 million (2000 - $1.3 million)		**$37,413**	$33,959

The financial liability component representing the present value of future interest payments is included in debt. The remaining component representing the value ascribed to both the holders' option to convert the principal balance into common shares and the Corporation's right to pay the principal amount of the debenture in common shares is classified in shareholders' equity. These components have been measured at their respective fair values at the date the convertible debentures were originally acquired.

The convertible subordinated debentures mature on September 30, 2007 and are direct unsecured obligations of the Corporation, are subordinated to all other indebtedness of the Corporation and have a face value of $64 million. The sum of the liability and equity components, net of issue costs, is $11.6 million (2000 - $13.2 million) less than the face value. This amount, which represents the unamortized difference between the market value and the face value of the debentures when the Corporation acquired the issuer of the debentures, is accreted as a charge to equity over the remaining term of the instrument, of which $1.5 million (2000 - $1.4 million) was charged in 2001. Interest is paid at a rate per annum equal to the greater of (i) five per cent and (ii) one per cent plus the percentage that two times the dividends paid on the common shares in the six months ended on the date six months prior to the interest payment date is of the conversion price.

The debentures are convertible into common shares of the Corporation at the holder's option any time before the earlier of September 29, 2007 and the last business day before the date specified for redemption, at a conversion price of $21.25 for each common share. The Corporation may adjust the conversion price to $23.85 provided that the Corporation also fixes the interest rate at six per cent per annum. The debentures are currently redeemable by the Corporation at par.

At the option of the Corporation, it may elect to pay the principal amount of the debentures outstanding at maturity in common shares of the Corporation valued at their average closing market price for the 30 trading days prior to maturity.

Interest expense on the liability component is recorded at an effective interest rate of 9.5 per cent and was $1.5 million in 2001 (2000 - $1.6 million). The equity component of the convertible debentures is being accreted to the maturity value at the same effective interest rate through periodic charges to retained

earnings. The accretion on the equity component was $1.9 million in 2001 (2000 - $1.8 million). The Corporation paid interest of $3.2 million in both 2001 and 2000. In certain limited circumstances, the Corporation may elect to pay interest in the form of common shares of the Corporation.

11. Share capital

Authorized:

Unlimited number of preferred shares.

Unlimited number of subordinate voting participating shares.

Unlimited number of common shares.

Issued:

2001

(in thousands)	Note	Common Shares	Amount
Balance, beginning of year		**36,402**	**$222,568**
Common shares repurchased	11(a)	**(1,126)**	**(6,890)**
Balance, end of year		**35,276**	**$215,678**

2000

(in thousands)	Note	Common Shares	Amount
Balance, beginning of year		38,337	$237,641
Common shares repurchased	11(a)	(1,935)	(11,831)
Expiry of warrants	11(b)	-	(3,242)
Balance, end of year		36,402	$222,568

(a) In 2001, pursuant to a normal course issuer bid, the Corporation repurchased 1,126,800 of its common shares at an average cost of $2.00 per share. In 2000, the Corporation repurchased 1,935,000 shares at an average cost of $2.04 per share. The common shares were cancelled upon repurchase. The Corporation's share capital was reduced by its net book value of $6.11 per share or $6.9 million in 2001 (2000 - $11.8 million). The difference between the purchase price and the net book value, $4.6 million (2000 - $7.9 million), was credited to contributed surplus.

(b) On September 5, 2000, 6.5 million common share purchase warrants issued in September 1998 expired, unexercised. The $3.2 million cost of the warrants was credited to contributed surplus, net of related taxes.

(c) Under its stock option plans, the Corporation may grant non-assignable options to purchase common shares to directors, officers and certain key executives of the Corporation and its affiliates. Any such option will have an exercise price not less than the closing price on the trading day immediately preceding the date of grant. Under the treasury stock option plan, the options vest over a four year period from the date of the grant, are exercisable over a period of not more than 10 years, and shares in respect of which options are exercised are issued from treasury. Under the supplementary stock option plan, established in 2000, the options vest over a four year period from the date of the grant, are exercisable over a period of not more than six years, and shares in respect of which options are exercised are acquired in the market by a trustee on behalf of the Corporation.

Both stock option plans provide that stock appreciation rights ("SARs") may be granted in connection with options. SARs may be exercised in lieu of an option and give the holder of an option the right to receive cash or common shares of the Corporation equal in value to the difference between the exercise price of an option and the market price of the common shares subject to an option on the date on which the SARs are exercised.

No compensation costs are recognized when the options are issued.

Changes to stock options outstanding for the year ended December 31 are as follows:

Treasury Plan

2001	Options	Weighted Average Price
Balance, beginning of year	2,379,000	$3.64
Options granted	382,000	$2.91
Options terminated	(445,000)	$3.28
Balance, end of year	2,316,000	$3.59
Available for grant at December 31	1,484,000	

2000	Options	Weighted Average Price
Balance, beginning of year	1,460,000	$4.47
Options granted	919,000	$2.34
Balance, end of year	2,379,000	$3.64
Available for grant at December 31	1,421,000	

Supplementary Plan

2001	Options	Weighted Average Price
Balance, beginning of year	546,000	$1.75
Options granted	387,000	$2.95
Options terminated	(125,000)	$1.75
Balance, end of year	808,000	$2.32

2000	Options	Weighted Average Price
Balance, beginning of year	-	-
Options granted	546,000	$1.75
Balance, end of year	546,000	$1.75

At December 31, 2001, the following stock options were outstanding and exercisable:

Treasury Plan

Outstanding	Exercisable	Exercise Price	Remaining Years Outstanding
780,000	780,000	$5.35	6.1
190,000	142,500	$3.25	6.8
255,000	127,500	$3.00	7.3
10,000	5,000	$2.60	7.9
405,000	101,250	$2.75	8.1
294,000	73,500	$1.75	8.9
25,000	-	$2.30	9.5
357,000	-	$2.95	10.0
2,316,000	1,229,750	$3.59	

Supplementary Plan

Outstanding	Exercisable	Exercise Price	Remaining Years Outstanding
421,000	105,250	$1.75	4.9
387,000	-	$2.95	6.0
808,000	105,250	$2.32	

(d) The Corporation has a deferred share unit plan, under which the Corporation's directors may elect to receive directors fees in the form of deferred share units ("DSUs"), in lieu of cash. On retirement, directors may elect to redeem their DSUs for cash or common shares of the Corporation to be purchased on the open market. At December 31, 2001, the Corporation had 432,143 DSUs outstanding valued at $1.4 million. In 2000, the Corporation had 394,377 DSUs outstanding valued at $0.7 million. This obligation is recorded in accrued liabilities.

(e) At December 31, 2001, the Corporation has outstanding share purchase loans receivable, in the amount of $1.4 million (2000 - $1.5 million), from certain current and former officers and directors, included in other assets.

(f) The calculation of basic and diluted net income per share is detailed in the following tables:

For the year ending December 31, 2001

(thousands, except per share amounts)	Income	Weighted Average Number of Shares	Per Share Amount
Basic net income per share:			
Net income	**$18,882**		
Accretion on equity component of convertible debentures	**(3,454)**		
Income available to common shareholders	**15,428**	**35,326**	**$0.44**
Diluted net income per share:			
Effect of dilutive stock options	**–**	**181**	**–**
	$15,428	**35,507**	**$0.44**

For the year ending December 31, 2000

(thousands, except per share amounts)	Income	Weighted Average Number of Shares	Per Share Amount
Basic net income per share:			
Net income	$8,437		
Accretion on equity component of convertible debentures	(3,177)		
Income available to common shareholders	5,260	37,825	$0.14
Diluted net income per share:			
Effect of dilutive stock options	-	231	-
	$5,260	38,056	$0.14

Options to purchase 2,384,000 common shares (2000 – 2,000,000 common shares) were excluded from the computation of diluted net income per share because the exercise price of the options was greater than the average market price of the common shares of $2.34 per share in 2001 (2000 - $2.33 per share). In addition, the conversion of the convertible debentures was excluded from the calculation of diluted net income per share in 2001 and 2000 as the effects would be anti-dilutive.

12. Investment and other income

For the years ended December 31, investment and other income is summarized as follows:

(thousands of dollars)	2001	2000
Interest, dividend and other income	**$3,490**	$5,493
Payment from Antamina sales tax	**4,377**	–
Proceeds from sale of Brixlegg	**–**	5,700
Litigation costs	**(3,089)**	(912)
	$4,778	$10,281

The Corporation received $7.9 million from Compañia Minera Antamina S.A. in regard to an outstanding sales tax receivable. Of this amount, $3.5 million reduced the current receivable and the remaining $4.4 million was recorded in investment and other income in 2001. In 2000, the Corporation received $5.7 million from the 1995 sale of its interest in a secondary copper smelter, Montanwerke Brixlegg GmbH. As the carrying value of this receivable was nil, the amount received was included in investment and other income. Litigation costs incurred relate to the case against Homestake in connection with the failure of Homestake to complete the purchase of Troilus. The trial took place in 2001.

13. Financial instruments

Fair Value of Financial Assets and Financial Liabilities

The carrying value of cash and short-term investments, accounts receivable, accounts payable, accrued liabilities and current portion of long-term debt approximates fair value due to the short term maturities of these instruments.

The Corporation holds cash and marketable short-term investments, which are subject to various risks such as interest rate, credit and liquidity. These risks are mitigated by restricting both the type and term of securities eligible for investment and dealing with highly rated counterparties.

The following table presents the financial instruments with a carrying value different from their fair value at December 31:

2001

(thousands of dollars)	Carrying Value	Fair Value
Publicly traded investments	**$108**	**$407**
Long-term debt	**$16,981**	**$14,907**

2000

(thousands of dollars)	Carrying Value	Fair Value
Publicly traded investments	$108	$458
Long-term debt	$21,700	$17,423

Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price. The fair value of publicly traded investments is based on quoted market prices. The fair value of the debt portion of convertible instruments is estimated based on discounted cash flows of future interest payments using rates currently available for debentures with similar terms and maturities. The fair value of other long-term debt approximates carrying value as the remaining debt is subject to floating interest rates.

Derivative Financial Instruments

The Corporation manages its exposure to changes in market prices and exchange rates through hedging transactions. Hedging transactions include forward sales contracts and put and call options.

At December 31, 2001 in relation to its interest in Troilus the Corporation has the following hedging commitments:

	Hedge Volume	Average Price
Gold		
2002 forward sales	72,000 ounces	U.S.$321 per ounce
2002 bought call options	6,000 ounces	U.S.$325 per ounce
2003-05 forward sales	157,000 ounces	U.S.$319 per ounce
U.S.$		
2002 bought put options	$18 million	$1.5033
2002 sold call options	$18 million	$1.5933
2003-05 bought put options	$46.5 million	$1.5033
2003-05 sold call options	$46.5 million	$1.5933

At December 31, 2001 the unrealized gain on the Corporation's gold hedges was $11 million and the unrealized loss on the currency hedges was $1 million.

FIVE YEAR REVIEW

	Year Ended December 31				
	2001	2000	1999	1998	1997
STATEMENTS OF OPERATIONS (000'S)					
Sales	$106,759	$103,940	$107,829	$105,591	$141,262
Cost of sales	(90,488)	(79,281)	(83,727)	(87,448)	(120,180)
Share of earnings (losses) in associated companies	-	(263)	3,184	988	1,242
Corporate development and exploration	(4,904)	(9,635)	(6,467)	(13,435)	(16,713)
General and administration	(4,485)	(6,919)	(6,215)	(9,870)	(7,774)
Investment and other income	4,778	10,281	8,166	29,877	12,596
Interest expense	(3,059)	(3,795)	(4,015)	(7,578)	(8,902)
Capital tax expense	(205)	(856)	(812)	(1,171)	(1,283)
Income tax (expense) recovery	(4,514)	(5,035)	(899)	4,185	(5,536)
Reduction in provision for reclamation costs	15,000	-	20,000	-	-
Write down of mining properties and other provisions	-	-	-	(37,500)	(193,670)
Earnings (loss) from continuing operations	18,882	8,437	37,044	(16,361)	(198,958)
Earnings from discontinued operations	-	-	-	16,349	13,456
Gains on sale of discontinued operations	-	-	-	31,050	-
Net income (loss)	$18,882	$8,437	$37,044	$31,038	$(185,502)
CASH FLOW (000'S)					
Cash and short-term investments, beginning of year	$77,259	$93,458	$173,135	$293,591	$229,332
Cash provided by (used in):					
Operating activities	7,121	14,509	3,061	5,485	(5,522)
Investing activities	(13,281)	(18,428)	76,002	249,824	(70,940)
Financing activities	(7,228)	(12,280)	(158,740)	(389,007)	129,665
Discontinued operations	-	-	-	13,242	11,056
Cash and short-term investments, end of year	$63,871	$77,259	$93,458	$173,135	$293,591
COMMON SHARE STATISTICS					
Earnings (loss) per share:					
Continuing operations	$0.44	$0.14	$0.84	$(0.33)	$(2.14)
Discontinued operations	-	-	-	0.58	0.14
Net income (loss) per share	$0.44	$0.14	$0.84	$0.25	$(2.00)
Net book value per share at December 31	$6.02	$5.36	$4.98	$6.68	$5.80
Operating cash flow from continuing operations per share	$0.20	$0.38	$0.08	$0.07	$(0.06)
Number of shares outstanding (000's)[1]	35,276	36,402	38,337	38,337	103,432
BALANCE SHEETS (000'S)[1]					
Current assets	$130,757	$127,265	$150,567	$238,819	$372,990
Investments	72,845	80,812	81,381	137,662	176,884
Capital assets	88,508	85,787	72,982	96,106	137,659
Other assets	17,575	20,562	18,535	12,089	10,628
Assets of discontinued operations	-	-	-	-	323,471
	$309,685	$314,426	$323,465	$484,676	$1,021,632
Current liabilities	$35,288	$35,546	$41,023	$101,387	$137,330
Long-term debt	16,981	21,700	26,768	36,465	27,158
Reclamation and other liabilities	45,061	61,997	64,569	90,572	109,700
Liabilities of discontinued operations	-	-	-	-	147,536
Shareholders' equity	212,355	195,183	191,105	256,252	599,908
	$309,685	$314,426	$323,465	$484,676	$1,021,632
CURRENCY EXCHANGE RATES[1]					
United States dollar	$1.59	$1.50	$1.44	$1.53	$1.43
Papua New Guinea kina	$0.42	$0.50	$0.55	$0.74	$0.81

[1] As at December 31.

PRODUCTION AND UNIT COSTS

	2001	2000	1999
PRODUCTION (Inmet's share)			
Copper (tonnes)			
Ok Tedi	36,700	36,600	33,800
Çayeli	16,200	18,300	19,600
Troilus	7,800	4,800	5,400
	60,700	59,700	58,800
Zinc (tonnes)			
Çayeli	12,400	12,700	16,000
Gold (ounces)			
Troilus	162,600	122,500	168,400
Ok Tedi	81,800	96,100	72,300
Other	–	–	6,100
	244,400	218,600	246,800
UNIT COSTS			
Çayeli (U.S.$ per pound of copper)			
Direct cash costs	$0.32	$0.32	$0.32
Copper processing charges and freight	0.27	0.27	0.28
Net metal credits	(0.12)	(0.16)	(0.20)
Cash cost	0.47	0.43	0.40
Amortization and other non cash costs	0.04	0.05	0.04
Total cost	$0.51	$0.48	$0.44
Troilus (U.S.$ per ounce of gold)			
Direct cash costs	$256	$360	$250
Capitalized stripping	–	(66)	-
Processing charges and freight	52	47	39
Metal credits	(76)	(78)	(58)
Cash cost	232	263	231
Amortization and other non cash costs	20	16	10
Total cost	$252	$279	$241
Ok Tedi (U.S.$ per pound of copper)			
Direct cash costs	$0.57	$0.59	$0.59
Processing charges and freight	0.22	0.24	0.24
Metal credits	(0.28)	(0.35)	(0.28)
Cash cost	0.51	0.48	0.55
Amortization and other non cash costs	0.17	0.19	0.21
Total cost	$0.68	$0.67	$0.76

MINERAL RESERVES AND RESOURCES

OPERATING PROPERTIES As at December 31, 2001

	Category	Tonnes (x 1000)	Cu %	Zn %	Au g/t	Ag g/t	Contained Metal (x 1000) Cu tonnes	Zn tonnes	Au ounces	Ag ounces	Inmet's Interest (%)
Mineral Reserves											
Ok Tedi	Proven	240,900	0.9	–	0.9	–	2,192	–	7,280	–	18
	Probable	35,600	0.6	–	0.7	–	203	–	790	–	18
	Total	276,500	0.9	–	0.9	–	2,395	–	8,070	–	18
Çayeli	Proven	5,000	4.5	5.7	0.6	41	225	288	92	6,619	49
	Probable	11,900	3.5	5.8	0.5	50	413	686	206	19,069	49
	Total	16,900	3.8	5.8	0.5	47	638	974	298	25,688	49
Troilus	Proven	9,800	0.1	–	0.8	1.1	9	–	249	348	100
	Probable	17,700	0.1	–	1.1	1.1	17	–	609	626	100
	Total	27,500	0.1	–	1.0	1.1	26	–	858	974	100
						Total	3,059	974	9,226	26,662	
						Inmet's share	770	477	2,457	13,561	
Mineral Resources											
Çayeli	Inferred	2,900	4.9	6.9	–	–	142	200	–	–	49
						Inmet's share	70	98	–	–	

UNDEVELOPED PROPERTIES As at December 31, 2001

	Category	Tonnes (x 1000)	Cu %	Zn %	Au g/t	Ag g/t	Contained Metal (x 1000) Cu tonnes	Zn tonnes	Au ounces	Ag ounces	Inmet's Interest (%)
Mineral Resources											
Petaquilla	Indicated	1,096,500	0.5	–	0.1	–	5,263	–	3,173	–	48
Izok	Indicated	16,500	2.2	11.4	–	60	363	1,881	–	31,829	100
						Total	5,626	1,881	3,173	31,829	
						Inmet's share	2,889	1,881	1,523	31,829	

- Contained metal figures are reported before taking into account mill recovery factors.
- Estimates of tonnes, grades and contained metal represent 100 per cent of the property, other than the lines titled "Inmet's share".
- Indicated resources do not have demonstrated economic viability.
- Indicated resources, as quoted, include appropriate dilution and mining recovery factors.
- Çayeli inferred resources are in addition to reserves.

Notes to mineral reserves and resources

Except as noted, mineral reserves and resources have been estimated at December 31, 2001 in accordance with definitions adopted by the Canadian Institute of Mining, Metallurgy and Petroleum on August 20, 2000 (the "CIM Definitions").

Reserves and resources for Çayeli were prepared under the supervision of Robert Sim, P. Geol. (Chief Geologist, Çayeli), who is a qualified person for the purposes of National Instrument 43-101. Çayeli's reserves and resources have been calculated using a copper price of U.S.$0.95 per pound and are based on a 2.5 per cent copper equivalent cut-off grade.

Reserves and resources for Troilus were prepared under the joint supervision of Frank Balint, P. Geol. (Vice-President, Corporate Development, Inmet) and David Warren, P. Eng. (Chief Engineer, Troilus), who are qualified persons for the purposes of National Instrument 43-101. Troilus' reserves have been calculated using a gold price of U.S.$290 per ounce and are based on a cut-off grade of 0.45 grams of gold per tonne.

Reserves for Ok Tedi were prepared by Ok Tedi Mining Limited ("OTML") and provided to Inmet. OTML has advised that these reserves as at December 31, 2001 have been determined by adjusting for production between June 30, 2001 and December 31, 2001 reserves calculated and certified as at June 30, 2001 in accordance with the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves, published by the joint ore reserves committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Australian Mining Industry Council (the "Australasian Code"). The competent persons, as defined in the Australasian Code, responsible for the estimate included Stuart L. Green (Technical Services Manager, OTML). Inmet has not independently verified these reserves. Frank Balint, P. Geol. (Vice-President, Corporate Development, Inmet), a qualified person for the purposes of National Instrument 43-101, has reviewed the relevant definitions of proven and probable reserves under the Australasian Code, in relation to the estimation of proven and probable reserves by OTML, and has concluded that the confidence levels used to categorize those reserves under the Australasian Code are consistent with those required under the CIM Definitions. The Ok Tedi reserves have been calculated using a copper price of U.S.$0.90 per pound and a gold price of U.S.$300 per ounce.

Resources for Petaquilla include an assessment for mining dilution and recovery and are based on an open pit mine plan with an overall strip ratio of 1.1 to 1. The resources, which were estimated by H. A. Simons, an independent mine engineering firm, in 1998, have been calculated using a net smelter return cut-off of U.S.$3.10 per tonne of ore at a copper price of U.S.$1.10 per pound. This estimate, made before the adoption of National Instrument 43-101, continues to be relevant and reliable and uses categories that are consistent with the CIM Definitions.

Resources for Izok include appropriate mining dilution and recovery factors. The resource estimate calculation contemplates that 90 per cent of the resource could be mined from an open pit with an overall strip ratio of 3.2 to 1 and the remaining resource could be mined from underground. The resources, which were estimated by Strathcona Mineral Services Limited in March 1994, have been calculated using a net smelter return cut-off of U.S.$30 per tonne of ore at a zinc price of U.S.$0.59 per pound and a copper price of U.S.$0.90 per pound. This estimate, made before the adoption of National Instrument 43-101, continues to be relevant and reliable and uses categories that are consistent with the CIM Definitions.

INDUCTION OF BILL JAMES TO CANADIAN MINING HALL OF FAME

We congratulate Bill on his induction to the Canadian Mining Hall of Fame and on his life-time achievements.

On January 11, 2002 Bill James, Inmet's Chairman and former Chief Executive Officer, was inducted into the Canadian Mining Hall of Fame. The Mining Hall was created to recognize and honour the legendary builders of Canada's world renowned mining industry. Bill has used his skills as a geologist and miner, in combination with his business acumen and genuine fascination with mining to build and strengthen several of Canada's leading mining companies.

Bill's first exposure to the mining industry was over 55 years ago working underground at a gold mine in Northern Ontario and since then he has developed a solid reputation as a mining professional.

In the early 1980's, Bill took on the position of Chief Executive Officer of Falconbridge. Bill moved quickly to restructure the company, reducing losses and positioning Falconbridge to return to a level of healthy profitability. In 1989, Falconbridge was sold to Noranda, generating a solid return for the company's shareholders. In the early 1990's, Bill, as President and Chief Executive Officer of Denison Mines, developed and implemented a restructuring plan to return the company to an active, operating company.

In 1996, Bill joined Inmet. He reassessed Inmet's future direction with the objective of focusing its financial and managerial resources on properties and operations with the greatest growth and profit potential. He did this by selling Inmet's non-core assets, returning $370 million to shareholders, and building a strong management team. Bill's objective, to enhance the value of Inmet's existing asset base and position Inmet for future growth, was achieved.

In 1999, Bill retired as Chief Executive Officer of Inmet and assumed the position of Chairman on Inmet's Board of Directors where he remains an active and valuable contributor.

William James, Chairman of the Board

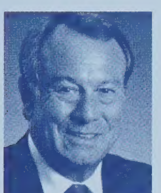
DIRECTORS AND OFFICERS

DIRECTORS

William James
Toronto, Ontario
Member of Corporate Governance Committee, Compensation Committee and Safety, Health and Environment Committee
Chairman of the Board, Inmet Mining Corporation
Director since 1996

Richard A. Ross
Nobleton, Ontario
President and Chief Executive Officer
Inmet Mining Corporation
Director since 1999

Thomas E. Kierans
Toronto, Ontario
Member of Corporate Governance Committee and Compensation Committee
Chair of the Canadian Institute for Advanced Research (CIAR)
Director since 1996



Allen Born
Denver, Colorado
Member of Safety, Health and Environment Committee
Chairman of Born Investments, LLC
Director since 1997

Alfred Powis
Toronto, Ontario
Member of Audit Committee
Corporate Director
Former Chairman, Noranda Inc.
Director since 1997

Paul E. Gagné
Senneville, Quebec
Member of Audit Committee, Corporate Governance Committee and Safety, Health and Environment Committee
Consultant, Corporate Strategy, Kruger Inc.
Director since 1996

James M. Tory
Toronto, Ontario
Member of Audit Committee and Compensation Committee
Counsel, Torys (Barristers and Solicitors)
Director since 1987

OFFICERS

Richard A. Ross
President and Chief Executive Officer

Steve Astritis
Vice-President, General Counsel

Frank Balint
Vice-President, Corporate Development

Oliver R. E. Merton
Vice-President, Commercial

Jo-Anne Sayers
Vice-President, Finance and Chief Financial Officer

Jochen E. Tilk
Vice-President, Operations

Wendy Kaufman
Controller

CORPORATE INFORMATION

Corporate Office

Inmet Mining Corporation
330 Bay Street
Suite 1000
Toronto, Ontario, Canada
M5H 2S8
Telephone: (1) 416-361-6400

Exploration Offices

North America
Direct inquiries to corporate office

South America
P.O. Box 18-0465
Lima 18, Peru
Telephone: (511) 372-0433
Fax: (511) 372-0443

Investor Relations

Financial information such as annual reports, interim reports and other information is available on Inmet's web site:
www.inmetmining.com

Copies of the annual reports, interim reports and other corporate publications are also available from the Investor Relations department:

- By mail directed to the corporate office
- By email at investor@inmetmining.com
- By fax at (1) 416-368-4692
- By telephone at (1) 416-860-3968

Version française

Pour obtenir la version française de ce rapport, veuillez communiqer avec le bureau administratif de la compagnie, département des services aux actionnaires.

Auditors

KPMG LLP
Chartered Accountants
Toronto, Ontario, Canada

Shareholder Inquiries

Inquiries with respect to changes of address or registration and lost share certificates should be directed to the Stock Transfer Department of CIBC Mellon Trust Company Ltd. in Toronto, Montreal, Winnipeg, Calgary or Vancouver. Alternatively, our Transfer Agent may be reached at:

CIBC Mellon Trust Company Ltd.
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario, Canada
M5C 2W9

Answer Line™:
(1) 416-643-5500
or toll free in North America at 1-800-387-0825
Fax: (1) 416-643-5501
Email: inquiries@cibcmellon.ca
Web site: www.cibcmellon.ca

Stock Symbol

IMN

Stock Exchange Listing

The Toronto Stock Exchange

Common Shares

(thousands)	2001	2000
Average for the year ended December 31	35,326	37,825
As at December 31	35,276	36,402

Annual Meeting

Inmet's Annual Meeting will be held on
Wednesday, May 1, 2002 at 10:30 a.m. at
St. Andrew's Club and Conference Centre
150 King Street West, 27th floor
Toronto, Ontario, Canada.

Design: Two Dimensions Inc. Portrait Photography: Nadia Molinari Flow Chart: Rose Zcodzinski Printed in Canada

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INMET ANNUAL REPORT

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